"Our Communities, Our Water"

A project of
Massachusetts Global Action

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www.massglobalaction.org/water

About MGA

Massachusetts Global Action is a new organization, founded in August of 2004. But the roots for our work come from three previous organizing efforts, the Massachusetts Anti-Corporate Clearinghouse, Campaign on Contingent Work, and the Boston Social Forum. MGA is dedicated to fighting the negative effects of corporate globalization in Massachusetts.

We will work with individuals and organizations around the state to reverse the privatization of public resources, to expand the social safety net, to shift the tax burden away from individuals and back to businesses, to create good jobs for all with living wages and full benefits, to help develop alternatives to our existing "winner-take-all" economic system, and to save the environment for future generations.

We will do this as a membership organization and as the hub of a network of like-minded organizations. We will encourage progressive social, political, economic and cultural activism for a better state, nation and planet.

INTRODUCTION TO THE ISSUE

Fortune magazine has stated that "water is the oil of the 21 century" (*Fortune* magazine, 2000), slowly becoming the power commodity that defines relationships between countries. This helps explain why multi-national corporations are now rushing to invest in the new get-rich economy of water. But water is a basic human need and many nations and traditions in fact, consider water a human right. (As does the United Nations Committee on Economic, Social and Cultural Rights)

If control over water is handed over to corporations whose declared purpose is to maximize profits rather than to serve the public good, hundreds of millions of people could lose access to water. Most people throughout the world feel that governments have a responsibility to ensure universal access to water and waste water services. Here in Massachusetts publicly funded, managed, and operated water systems and waste water systems are the most common approach to high quality water.

Today 85% of the municipal water systems in the US are publicly owned and operated. And we have been able to rely on them for a hundred plus years for safe, efficient, and affordable water.

Multinational corporations are quick to argue that market forces would bring more efficiency to water systems and this is why they are trying to define water as a human need, implying that price should be set by the market. But the bottom line is that water resources — by their very public nature — require public oversight to ensure that people, not profits, come first. *And the profits are enormous: there is estimated 800 billion — 1 trillion to be made in the global water business.*

Over the last twenty-five years advocates of privatization have made significant inroads in privatizing essential public services like health care and education. This has moved forward in lockstep with their successful advocacy of drastic cuts in the federal budget in these areas.

Now we are watching as European water services corporations like Suez, Veolia, and RWE/Thames come knocking at the doors of U.S. mayors to sell their privatization wares and suggest to deficit-shocked members of Congress that federal funding is no longer needed.

As a result many communities consider entering into contracts with multi-national corporations based on promises of lower rates and better service. Yet as case study after case study show, once these contracts are signed, the rates go up and the quality goes down. The people who benefit are the shareholders and corporate executives residing around the world.

With almost all of the earth's water is salt water or locked in glaciers we are left with less than one percent of fresh water that is available for human use and the environment. *(Freshwater Society – www.freshwater.org)* The United Nations says 2.7 billion people worldwide will face severe water shortages by 2025. *(Deen, Thalif (2004) Sustainability: Privatization No Answer to Water Scarcity. www.apsnews.net)* And although Massachusetts is typically thought of as a water-rich state, it too will face shortages as its population and economy expand.

In Massachusetts, communities are currently at risk for losing public control over their water supplies. HB1333 works to keep water in the public trust, supporting both local jobs and local economies, protecting the environment through conservation, and mitigating corporate corruption by removing this precious resource from the hands of multi-national corporations.

Here in Massachusetts communities, like Lynn and Rockland are getting out of bad water contracts with private companies, and communities like Lawrence and Lee and Barnstable have rejected privatization. But there is a need for a comprehensive statewide approach to the issue.

Internationally this issue is quickly becoming a priority as countries all over the world are begin-

Facts and Figures

Over one billion people lack access to clean water and 2.5 billion people don't have adequate sewage and sanitation services. Consequently, over 2,112,000 people – mostly children – die annually from diseases such as diarrhea and cholera.

(Public Citizen -- http://www.citizen.org/cmep/Water/activist/articles.cfm?ID=9589)

By 2020, two-thirds of the world's population is expected to lack access to clean water if the current development continues.

(Public Citizen -- http://www.citizen.org/cmep/Water/activist/articles.cfm?ID=9589)

Industrial farming accounts for 65% of the water consumed by humans. Manufacturing accounts for 25%.

(Public Citizen -- http://www.citizen.org/cmep/Water/activist/articles.cfm?ID=9589)

Massachusetts rivers have seen their flow seriously reduced by the draining of aquifers. The Ipswich River is already dangerously depleted, and state officials say that the Charles, Concord, Assabet, and Sudbury rivers are "stressed."

In FY 2006, the Bush Administration plans to cut the federal government's annual payment to the Clean Water State Revolving Fund, the major source of funding for water infrastructure projects, by $369 million, bringing the annual payment down to $730 million. In FY 2002 the federal government put $1.98 billion into the fund.

(http://www.polarisinstitute.org/polaris_project/water_lords/News/feb_8_05.html)

The Massachusetts Department of Environmental Protection's water quality budget has been cut by 25% since 2001.

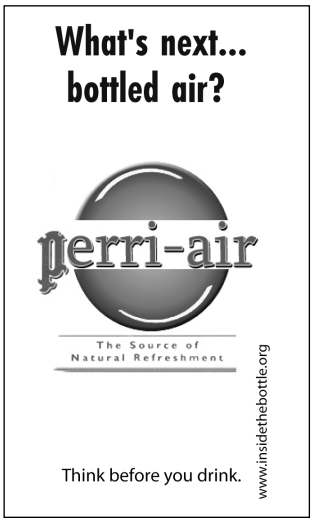
(http://www.bostonphoenix.com/boston/news_features/top/features/documents/04590754.)

ning to pass legislation to protect communities and consumers. Last fall voters in Uruguay passed a referendum that would amend their constitution to ensure that "The public service of sewerage and the public service of water supplying for the human consumption, will be served exclusively and directly by state legal persons." Around the same time, the Netherlands passed a law banning private corporations from providing drinking water services to the public. (Making water privatization illegal: New laws in the Netherlands and Uruguay. http://www.psiru.org/reports/2004-11-W-crim.doc)

In addition, the Supreme Court of Nicaragua has blocked the privatization of that country's water and ordered the National Assembly to pass a comprehensive law protecting peoples' access to drinking water. These developments mark a growing international consensus that access to safe, clean drinking water is a fundamental human right.

The primary question that legislators and community leaders from all aspects of civil society must ask is whether we will allow a "theft of the commons" and sit back as corporations turn a basic element of life into an opportunity for profit.

In this document we attempt to give community leaders in Massachusetts a snapshot of the issue of water privatization in its most prevalent forms, municipal privatization, bottled water, and bulk export. We encourage people who read this packet to explore the wide source material available online and we have listed some great starting points in the back of our report.



Understanding Municipal Privatization

The term "municipal privatization" covers a wide spectrum of water utility operations, management, and ownership arrangements at the city/town level. The term "public-private partnerships" is often used to make the public believe that there is control over their local service. But all these forms leads to loss of local control and serve as a first step to full privatization.

There are three basic models of municipal water privatization:

A) "Asset sale" = sale of publicly owned water/wastewater assets to private water companies.

B) "Outsourcing" = the contracting for specific services ranging from full water utility plant operation and maintenance (O&M) to the provision of various services such as laboratory work, meter reading, and supplying chemicals

C) "Design, build, and operate (DBO)" = contracting with a private firm for coupling design and construction services with comprehensive operating agreements for new, expanded, or upgraded facilities

In the United States, the contracting of O&M and/or DBO to a private provider has been more common than the sale of utility assets to private companies. No major U.S. city has sold its utility assets in recent decades, although some smaller communities have done so. Companies are now lobbying municipalities to sign 20-year contracts that include the operation, design of new plants or upgrades, maintenance and even complete transfer of ownership of water systems to the private sector.

And although going by the misleading name of "public-private partnerships" they have contractually built in fail-safe mechanisms that allow them to claim all of the rights of ownership with none of the responsibilities. This has been the pattern here in Massachusetts when we reference the draft contracts put forward during privatization bids in Lawrence, Lee, and Holyoke.

Utilizing bodies such as the US Conference of Mayors (whose website is sponsored in part by the French water company Veolia, formerly Vivendi) corporations peddle privatization as a simple, cost-saving solution to cities' aging infrastructure and regulatory compliance. Companies often target their sales pitches at towns that are facing legal or administrative orders from state and federal environmental agencies for failing to meet water quality standards. (Holyoke, Lawrence, Lee, Fitchburg.)

According to documents obtained under the Freedom of Information Act, there are currently 45 administrative orders or consent decrees in effect in Massachusetts relating to municipal water systems' violations of the federal Clean Water Act, and 12 communities facing similar enforcement actions for violations of state clean water regulations. Federal funding for water projects is hard to come by, and the Environmental Protection Agency (EPA) itself actively encourages communities facing water quality problems to consider privatization and so-called "public-private partnerships" (see "History" below.)

Under pressure to comply with administrative orders and consent decrees, communities often go into privatization agreements without fully assessing the pitfalls of the arrangements they are entering into, and quickly find themselves in over their heads. In many cases, deals that government agencies make with water companies include exclusive distribution rights for 25 to 30 years, effectively sanctioning a monopoly (with just one water company and one set of pipes, whether public or private; thus there is no competition to keep prices down and quality high). Companies are under little pressure to respond to customer concerns, especially when the product in question is not a luxury item that families can do without if they are dissatisfied with the performance of the only provider.

Once water services are privatized, very little can be done to ensure that the company — be it domestic, foreign or transnational —will work in

Some Major Players in the Industry

Three major corporations run most of the private water systems and public-private water partnerships in the U.S. and around the world.

RWE

This German giant acquired Thames Water in 2000, and American Water in 2003, becoming the world's third largest water company. RWE's Thames Water division, which now manages American Water, routinely tops the list of Britain's worst polluters. Since the take over, American Water has raised rates for many of its U.S. customers. In the U.S., the company has made the strategic decision to target small municipalities instead of going after more big city contracts.

Suez

The company that built the Suez Canal is now one of the largest players in the global water industry, and has played a large role in pushing water privatization in developing countries. With last year's acquisition of Bechtel's United Water division, Suez greatly expanded its presence in the U.S. In Boise, Idaho, Suez is now a year behind schedule in completing a water treatment plant. The city Halifax, Nova Scotia cancelled a contract with United Water because the company refused to accept responsibility for future failures to meet environmental standards. Atlanta, Georgia cancelled its contract with the company because of cost overruns and severe mismanagement (see Case Studies below.)

Veolia Environment

Veolia Environment is a company created when the water, energy, and transportation divisions of the international conglomerate, Vivendi Universal split off and became a privately held company. The company operates water and wastewater systems in 70 countries. Veolia's North American division formerly did business as United Filter, but changed its name after selling its systems division to Siemens, Indianapolis, Indiana faced severe problems when the company's mismanagement led to the freezing of fire hydrants in winter.

Source:

Polaris Institute
http://www.polarisinstitute.org/corp_profiles/public _service_gats/corp_profiles_ps_gats.html

the best interest of the community. When a municipal water system is publicly controlled, citizens are at least in a position to prevail upon their elected officials to improve service or reduce rates, and to punish or reward them at the ballot box. Individual customers have no such power with a water company that negotiates its contract with the local government, and local governments have little leverage once they have entered into a contract because most contracts last twenty or thirty years.

Furthermore, if a community is dissatisfied with the performance of the company, breaking the contract is a very difficult and costly proposition, as Atlanta learned the hard way when Suez went to court to recover millions of dollars in projected revenues. Overworked and under-funded city solicitors' offices find themselves up against teams of corporate lawyers with tremendous resources at their disposal.

There is a false perception that, when water services are privatized, the financial burden will shift from the public to the private sector, saving the taxpayer money by assuming the costs of repairing, upgrading and maintaining infrastructure.

In reality, the costs, which are calculated to include expected profit, are included in the contracts and taxpayers simply wind up paying for these projects through their monthly bills. Costs also go up because the private sector does not have access to tax-free public financing. (Water cartels are now seeking access to public financial guarantees for their investment in service delivery)

Municipal privatization has other costs as well - as the city of Lawrence found out during its three -year flirtation with water privatization. By the time the

process was all said and done (and Lawrence had finally rejected United Water/French Suez) over $4,000,000 had been spent on consultant fees to companies such as Malcolm Pirnie, Hawkins, Delafield, and Wood, and Advest. Time and time again, advocates of water privatization pressure cities to hire these same engineering, finance, and legal firms to carry out feasibility studies, knowing that these consultants will deliver reports that will justify privatization.

Once contracts are signed, these companies achieve "cost savings" by cutting corners in the services they deliver. As the case studies below will show, companies like Veolia, Suez/United Water, and RWE/Thames/OMI have long records of deferring maintenance, reducing the use of odor-reducing chemicals, and replacing skilled and experienced union workers with temp workers and out of state contractors in order to cut their costs and maximize their profits. But even these "cost saving" measures have failed to prevent most communities from seeing a spike in their water rates following privatization.

Private companies delayed making improvements to the water infrastructure in England and Wales for ten years following privatization – but customers still saw a 102% increase in their water rates during the same period. (Public Citizen "(5/22/03) The Pitfalls of Water Privatization" http://www.citizen.org/cmep/water

Cities also end up bearing the human and financial costs of created by public health problems that result when privatization forces are unleashed on the public management of water systems and water quality regimes. Walkerton, Ontario stands as a grave testimonial. Changes to provincial regulations governing water systems by a pro-privatization government meant that private labs won the right to provide water quality services of public water systems.

The privatization friendly regulations meant that private labs were not obligated to inform public health officials of a health crisis in the making, even though they were aware of contaminated water. As a result E. Coli contaminated water was distributed to the public and 2,300 people got sick and 7 died. (Public Citizen "(5/22/03) The Pitfalls of Water Privatization" http://www.citizen.org/cmep/Water/general/whyoppose.

In Indianapolis, schools were forced to close and a million people were put on a boil-water alert because Veolia used the wrong mix of chemicals to treat the water. Especially disturbing is the fact that it took Veolia twelve hours to notify the public after discovering the mistake. (Public Citizen – Waves of Regret.)

Private companies are also infamous for making unrealistic budgets and then billing municipal governments for cost overruns later. In Atlanta, Georgia, Suez/United Water billed the city for an extra $37.6 million in additional service authorizations and capital repair and maintenance costs, despite the fact that the company was lagging behind on even the most basic maintenance projects such as water main repairs. They city ended up withholding $16 million of the $37.6 million after discovering that the company hadn't completed and in some cases hadn't even started some of the projects it was billing the city for. United Water billed the city of Laredo, TX for $5 million in unexpected expenses despite the fact that the city's water infrastructure was still in disrepair two years into its contract. (Public Citizen – "Waves of Regret".)

Municipal water privatization is full of hidden costs and hidden risks. Local officials can only understand the full scope of these risks by studying the experiences of communities that have had water privatization deals turn sour.

Image courtesy of Polaris Institute & S. Perry

History

Historically, the federal government has helped cities and towns fund major improvements to their water infrastructure. However, over the past twelve years, federal funding for municipal water projects has been reduced dramatically, and, as a result of corporate lobbying, federal agencies have begun encouraging communities to consider partially or fully privatizing their water systems.

In 1972, Congress passed the Clean Water Act that established uniform, nation-wide water quality standards, and put in place a mechanism for the federal government to help communities meet the standards set by the act. The Environmental Protection Agency (EPA) gave Construction Grants to help cities and towns build or improve water and sewage treatment plants. According to the EPA:

> "During the 1970s and 1980s, the Construction Grants program was a major source of Federal funds, providing more than $60 billion for the construction of publicly owned wastewater treatment facilities. These projects, which constituted a significant contribution to the nation's water infrastructure, included sewage treatment plants, pumping stations, and collection and interceptor sewers; rehabilitation of sewer systems; and the control of combined sewer overflows. EPA's effective management of the Construction Grants program led to the improvement of water quality in thousands of municipalities nationwide."
> (http://www.epa.gov/owmitnet/cwfinance/)

This all changed under the Reagan administration, when spending for environmental clean up and restoration was cut drastically across the board. Despite the success of the program, Congress amended the Clean Water Act in 1987, phasing out the grants and replacing them with low interest loans from a new Clean Water State Revolving Fund (CWSRF). In addition to serving municipalities, the CWSRF also provides loans to businesses, farms, and individual homeowners. Borrowers are encouraged to supplement the loans with additional financing from state governments and private banks.

The EPA itself admits that the loan fund isn't sufficient to meet most communities' needs. The Agency's website says that:

> "Federal and state investments to date of more than $23 billion ensures that the CWSRF program will play an important role in funding water pollution control projects into the future. However, even with continued capitalization, the CWSRF program will not address all local government water pollution infrastructure needs, which have been estimated to be about $200 billion. This estimate excludes the costs required to replace aging pipes and plants. As a result, it is important to fully explore other approaches to meet funding needs at the state and local level." (http://www.epa.gov/owmitnet/cwfinance/)

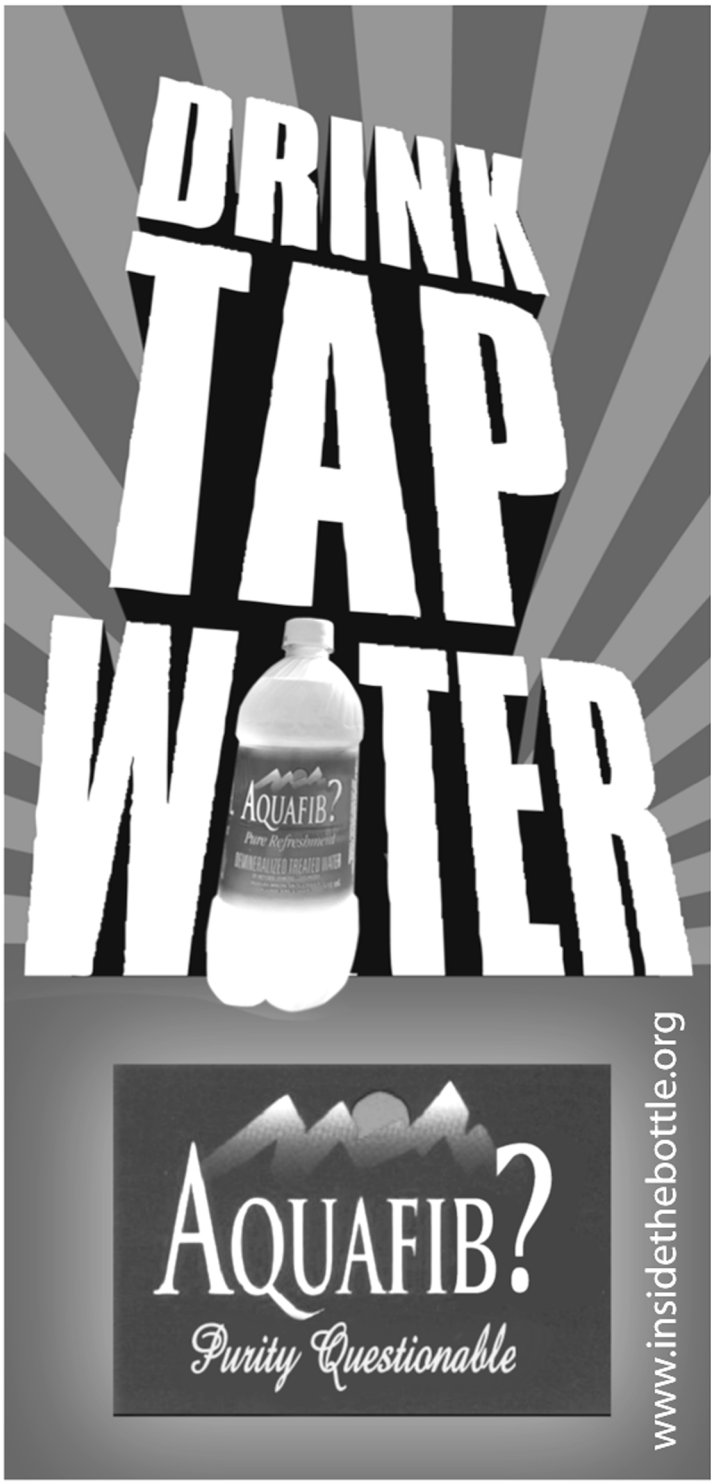
Corporate lobbying and a lack of viable options for public financing have led the EPA to actually begin promoting water privatization. The Agency's website suggest that cities and towns consider at least partially privatizing their water systems:

> "One approach to consider is the use of public-private partnerships that utilize private sector resources to finance wastewater treatment needs. The private sector has historically been involved in providing wastewater treatment related services to local governments. Whether providing basic wastewater treatment supplies (e.g., chemicals), maintaining a portion of the collection or treatment system under a contract, or providing contract operation and maintenance for all of a municipality's facilities, the private sector has served an important role in the effort to control water pollution across the country.
>
> "The generic term privatization encompasses a broad range of private sector participation in public services. Partnerships between the pub-

lic and private sectors in the water and wastewater industry range from providing basic services and supplies to the design, construction, operation, and ownership of public utilities. The basic reasons that the public sector historically privatized services were to realize cost savings, utilize expertise, achieve efficiencies in construction and operation, access private capital, and improve the quality of water and wastewater services."

As the other articles in this packet will show, the EPA's assessment of the potential advantages of privatization are unrealistically optimistic, to put it mildly, given the actual track record of water privatization projects. Cities such as Atlanta, GA, Chattanooga, TN, Indianapolis, IN and Felton, CA, have seen increases in water rates, decreases in water quality, and severe problems with service and maintenance since privatizing their water systems.

As long as federal funding for water projects remains inadequate, cities and towns will feel increased pressure to enter into privatize their water systems in an attempt to defray the rising cost of complying with clean water regulations. And federal funding will not be expanded or restored unless municipal officials and private citizens step up their involvement in water policy to counter-balance the influence of corporate lobbyists.



Case Studies (Taken from "Wave of Regret" a Public Citizen report and from reports by the Polaris Institute)

Water privatization is much more complicated than simply fixing the water infrastructure. In most cases of privatization, communities' water quality decreases while there are higher prices for consumers and for the municipalities. Atlanta, GA and Stockton, CA are examples of water and/or wastewater privatization gone sour. In Nashua, NH, the city is trying to buy back their water system but is still trying to negotiate a price with the public utilities commission. In Franklin NH, Lee and Lawrence MA, citizens organized and people were educated so that the city councils voted not to privatize.

Angleton, Texas

In 2004, the city canceled its contract with Veolia Water North America because the company failed to deliver the promised level of service.

Atlanta, Georgia

Atlanta, GA canceled its 20-year contract with Suez/United Water, the biggest such contract in the United States, after just a few years because of poor performance. Suez slashed the workforce to dangerously low levels, failed to fulfill maintenance and repair duties called for in the contract and successfully billed the city for millions more than the annual contract fee. The much-anticipated savings from privatization didn't materialize, and the promise that rates hike could be averted through savings turned out to be empty. Canceling this contract was more costly in the long run than fixing Atlanta's infrastructure.

Buffalo, NY

Five years after a contract was signed between the city and RWE subsidiary American Water Services, RWE thought they would up the ante and go for a ten year deal. In 2003, when the contract was up for renewal, American Water estimated that it would have to increase water rates by 12 percent. The City Council found that by bringing the water back under municipal control they could hold rate increases to 4 percent. So they renewed the contract for five years, but negotiated a clause that would allow them to terminate the contract early without penalty if they succeeded in merging the city and county water systems. The planned merger fell apart in February of 2005, however. (Buffalo News, February 15, 2005) Within the first year of the new contract, the company raised water rates four times. (Polaris) In March of 2005, the city warned that it was going to need to increase water rates by another 10 percent – by July that had turned into a staggering 20 percent increase. (Buffalo News, March 16 and July 7, 2005) Pressure is building for the city to terminate its contract with American Water, with some residents even threatening to picket the homes of water board members, but to date the water system remains under the company's control. (Buffalo News, March 16, 2005)

Cochabamba, Bolivia

Bechtel oversaw a water privatization project that drove household water rates up to $20 a month in a city where most families earned $67 a month, and imposed draconian financial restrictions on water use. When the people rose up to protest they were brutally repressed and seven died. (Eventually the people succeeded in taking back the water system and Bechtel is still trying to force the city to pay $40 million for "expropriation".)

Chattanooga, Tennessee

American Water Works (now RWE) has owned Chattanooga's water for a several years, but Mayor Jim Kinsley led a 1998 move to buy the system, noting that public ownership could cut rates by 25 percent and save $100 million. There was also the matter of AWW gouging the city on fire-hydrant fees and a secret effort by corporate executives to export Chattanooga water to Atlanta. AWW refused to negotiate a sale, instead rushing to court, launching a massive multimillion-dollar PR campaign, and resorting to dirty tricks like hiring an agency to snoop on the mayor. Outspent, the city finally settled, allowing AWW to keep its ownership. But the corporation did agree to cut fire-hydrant fees from

$300 a year per meter to $50, and to submit any water-exporting scheme to voters for approval.

Detroit, Michigan

In Michigan, Nestlé received $9.6 million in tax breaks for their Ice Mountain bottled water plant in Mecosta County. Yet, in the same state, more than 40,000 Detroit families had their water shut off because they were unable to pay their water bills when the state refused to provide a subsidy.

Dover, Delaware

Suez/United Water continues to pump water from a well just a mile from a Superfund site where 4,000 drums of chemical waste are threatening to contaminate the groundwater. (Polaris)

Felton, California

Felton ratepayers have complained of increasing water rates, deteriorating services, and poor management of their water utility under private control. On average, customers who have privatized services now pay water rates that are 36% higher then five out of six nearby public water agencies. The current rate application filed by the private company, RWE, would double rates over a three-year period.

Florida

United Water was fined $95,000 for overdrawing wells by as much as 131% in two counties from 1998-2000. (Polaris)

Jersey City, New Jersey

United Water has had an $8 million/year contract to operate the water system since 1996. In May, 2004, a forensic audit of United Water's performance found that, between 2000 and 2003, United Water diverted $1.2 million worth of water from Jersey City or from the system without paying the Jersey City Municipal Authority. The audit has now been turned over to county prosecutors and the city is looking into its options for terminating the contract.

Halifax, Nova Scotia

In June, 2003, the city cancelled a contract with Suez/United Water to run its water and sewage treatment plant when the company refused to take responsibility for future failures to meet environmental standards. The company's stock fell 6% on the news. (Polaris)

Indianapolis, Indiana

In 2001, the Indianapolis government purchased the Indianapolis Water Company, a private corporation that had served the city for 131 years. The $522 million deal was struck when the federal government directed the firm's parent company to divest its water operations. In April 2002, however, Indianapolis awarded Veolia (formerly Vivendi's) U.S. Filter a 20-year, $1.5 billion contract to maintain and operate its treatment plants, which, at the time, was the nation's largest management contract. As part of the transaction, the company agreed to freeze rates for five years and promised not to lay off employees for two years

Laredo, Texas

The city of Laredo and United Water reached an agreement in March 2005 to part ways halfway through a five-year water system contract. This came after two years of operation by the multinational that then claimed that the cost of running the system would mean that Laredo would need to fork over another $5 million (beyond what the contract called for), plus an additional $3 million each year.

After months of negotiations, the company finally agreed to pay the city $3 million in exit fees and the city was scheduled to put the system back under public control May 6, 2005.

Lee, Massachusetts

Town representatives of Lee voted overwhelmingly in September 2004 to reject a proposal from Veolia, formerly Vivendi to take control of the public water and wastewater system. The more people in Lee learned about privatization, the less they liked it. Serious concerns were raised about Vivendi/Veolia's track record in other communities; the company's effort to push the scheme through establishing financial ties with powerful community leaders; doubts that Veolia's promised savings, even if achieved, warranted the risks of privatization, and the reliability of the company's promise that current system employees would be retained and treated fairly.

The bottom line was that Lee citizens became increasingly wary of turning over their community's public water system to an enormous private company headquartered on another continent.

Lexington, KY

After both the customer service center and the billing center were removed from the city, and residents faced a rate increase that is twice the average water rate increase over the last 30 years, citizens organized a campaign to take back the system utilizing eminent domain.

In September of 2004, a city councilor revealed that Kentucky American Water had offered to run his entire re-election campaign if he dropped his opposition to their operation of the city's water system. Kentucky law forbids corporations from making direct campaign contributions. The company has made no attempt to hide its activities, however – its official business plan, filed with the state, says that "we need to work harder to get people elected to the [City Council] who have a pro-free-enterprise philosophy." (Polaris)

Lynn, Massachusetts

The Inspector General's 2001 report Privatization of Wastewater Facilities in Lynn, MA outlines the problems the state inspector's office found in the one-bid contract between the city of Lynn and U.S. Filter (now Veolia Water Co.) for a design-build-operate project. The letter notes that the former mayors of Taunton and Lynn, MA -- whose cities signed contracts with U.S. Filter water company (now Veolia) -- both now work for Veolia.

Milwaukee, Wisconsin

There have been numerous environmental and health violations since Suez/United Water took over the city's sewage system in 1998. In May, 2003 a plant operator accidentally released 2 million gallons of partially treated sewage into the Milwaukee River. In September, 2003 the company dumped untreated toilet water into the river, failing to even filter out used condoms. In May, 2004, 4.6 million gallons of sewage flooded into Lake Michigan, local streams, and the basements of 400 homes. (Polaris)

Montara, California

In 2002, after American Water had increased water rates by 43% over a seven year period and threatened to impose another 20% rate increase, 80% of the town's residents voted to buy back the water system. The California Public Utilities Commission has ordered American Water to sell the water system back to the town, and voters have approved a $19 million public bond to buy back the system. (Polaris)

New Orleans, Louisiana

After spending more than three years and $3.8 million to explore privatizing the city's water and sewer systems, on October 16, 2002 the New Orleans Sewerage and Water Board voted 6 to 5 to reject all three bids to operate the city's water and wastewater system. A year later Suez/United Water pulled out of the bidding process because it objected to the city's plan to allow city residents to vote in a referendum before any water contract is finalized. When the bidding resumed, only US Filter put in a bid. In August 2004, after spending a total of $5.7 million studying the issue, the city's Sewage and Water Board finally decided against privatization. (Polaris)

Plymouth, Massachusetts

The water treatment plant built and operated by Veiolia/ U.S. Filter hasn't been in compliance with its permit since it began operating in 2002. In January, 2003, state officials found that the plant was inadequately staffed, didn't test the water accurately or consistently, and was releasing water into the system with nitrogen and phosphorous levels two or three times higher than permitted. The state also found that the company at one point had faced a crisis that left the plant without pumping capacity for more than 16 hours. City officials first learned of the incident when they read the state report – the company had been aware of the incident but never informed city officials. (Polaris)

Rockland, Massachusetts

Rockland terminated Vivendi/Veolia's contract to run the town's sewer plant in February 2004, amid embezzlement charges involving a sewer department official and a local company executive. The men were charged with embezzling more than $300,000 from the Rockland Sewer Department. The termination came on the heels of a forensic audit that suggested the bidding process by which

Veolia was selected to run the plant was rigged, as well as an investigation by the Massachusetts Office of the Inspector General into whether the original bidding process was rigged in Veolia's favor.

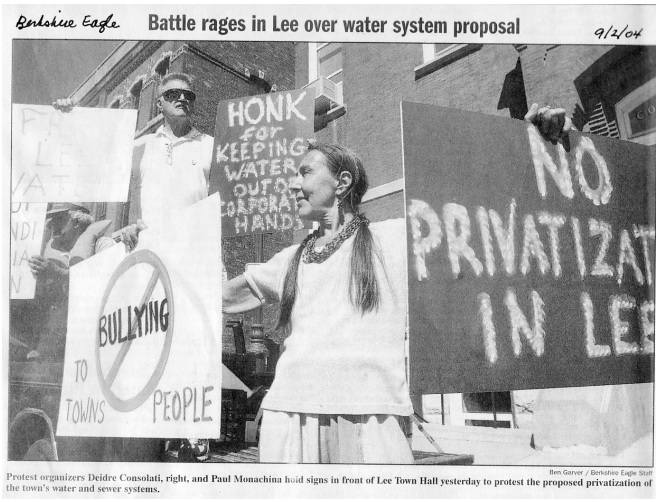
Stockton, California

The Mayor and City Council of Stockton, California, strongly believed that a private consortium, OMI/Thames, would do a better job of running Stockton's water and sewer system than city workers. The mayor opposed holding a public vote to let the people decide believing he and the city council could best deal with the complexities of water management. In Stockton, the company privatizing the water supply promised it would bring jobs and cleaner and cheaper water to the community. This proved to be false: the rates when up and the quality went down. The citizens of Stockton sued the city and the OMI/Thames Company and won. The court stated the citizens have the right to control their water system. Not all cities and towns have financial resources to file law suites. Currently Stockton still fights this in Court on appeal.

Thousand Oaks, California

Thousand Oaks now has the highest water rates in the U.S. Citizens are pushing for the termination of the town's contract with RWE/American Water. (Polaris)

These are just a few examples of the problems communities throughout the U.S. and around the world have faced after privatizing their water systems. They illustrate problems dozens of other cities and towns have dealt with, and some of the hidden costs of privatization. Local officials need to know the track records of companies like Veolia, Suez, and RWE before they enter into new contracts keeping in mind that the story of water privatization is a story of broken promises.



Protest organizers Deidre Consolati, right, and Paul Monachina hold signs in front of Lee Town Hall yesterday to protest the proposed privatization of the town's water and sewer systems.

Corporations have utilized rate hikes to maximize profits, which, by definition, is their bottom line. This bottom line often comes at the expense of water quality and customer service, (never at the expense of maintaining inflated executive salaries).

Massachusetts-American, an American Water Works (now Aquarion Water Works) subsidiary, more than doubled water rates over a five-year period in Hull and Hingham, claiming the increases were needed to build a new water treatment facility. There is evidence, however, that the company inflated the costs of the new facility to increase its profits. In 1996, when officials asked her for copies of rate schedules in effect both before and after the increase, the company's representative provided only the schedules in effect after the increase and claimed that data from 1995 would be difficult to locate. James Lumpke, Hull's town attorney says that the company racked up millions of dollars in unnecessary expenditures, such as going through the process to obtain building approval for a site that was never a likely location for the plant. According to Lumpke, officials with the state Department of Telecommunications and Energy agree with his assessment of the situation. (http://www.citizen.org/documents/ACF146.pdf)

Image courtesy of Polaris Institute & S. Perry

Aquarion's Water Rates vs. Water Rates for Municipally Run Water Systems

Private water companies always promise consumer lower rates. But a simple comparison of the rates Aquarion Water Works charges its customers with the water rates in neighboring communities with public water systems shows that private companies often actually charge higher rates than municipal water systems.

Average annual water bill for municipally run water systems in MA: $321

Average annual water bill for water systems run by Aquarion Water Works: $557

Average annual water bill in Hull - Aquarion Water Works: $665

Average monthly water bill in Hingham -- Aquarion Water Works: $665

Average monthly water bill in Cohasset -- Aquarion Water Works: $665

Average annual water bill in Quincy – public system: $302

Average annual water bill in Weymouth – public system: $389

Average annual water bill in Braintree – public system: $190

Source: Tighe & Bond Consulting Engineers -- http://rates.tighebond.com

In our border state of New Hampshire, things are very much the same. The NH Business Review just published a study stating that private companies have higher rates then publicly owned systems. The highest rates in the state are in Nashua, NH, where the water system is owned and operated by a private corporation (Pennichuck). The city of Nashua is now fighting to buy the system.

And across the United States we see more examples of this corporate reality. For instance in California, the residents of Sacramento Valley are starting to feel the effects of what happens when a transnational corporation takes over their water system. Thames Water, one of England's worst environmental polluters, recently acquired California-American Water (Cal-Am) in the controversial buyout of the U.S.' largest water company, American Water Works.

Company executives promised regulators that ratepayers would see immediate benefits from the merger. Instead, less than one year later, Cal-Am customers in Sacramento are facing a 62% increase in their water bills. This increase would bring Cal-Am an additional $10 million over the next two years. The proposed rate hikes in Sacramento are just the tip of the iceberg. American Water Works is pushing for rate hikes in almost every state where it has subsidiaries.

Time and time again, private companies have promised lower water rates only to hit consumers with rate hikes. Because these companies have a monopoly in the communities where they operate and have contracts that last for decades, they have little incentive to keep water rates down. Higher rates mean higher profits and higher dividends for shareholders. The public interest never enters into the equation once a water system has been privatized.

Massachusetts Global Action

Facts and Figures

The municipal water market in the U.S. is valued at $90 billion.

(Public Citizen -- http://www.citizen.org/cmep/Water/activist/articles.cfm?ID=9589)

Thousand Oaks, CA has the highest water rates in the U.S. Its water system is run by a subsidiary of RWE./American Water.

(Polaris)

In 1996 the city of Phoenix, AZ and AFSCME Local 2384, the union representing the city's water workers, launched an initiative to improve the quality and cut the cost of the city's water services. They set a five-year goal of saving $60 million, and instead saved $77 million.

(http://www.waterallies.org/article.php?id=57)

Approximately 25% of the bottled water on the market is just purified tap water, but bottled water can cost up to 10,000 times as much as tap water.

(Public Citizen -- http://www.citizen.org/cmep/Water/us/bulksales/articles.cfm?ID=8736)

Today, close to one-fifth of the population relies exclusively on bottled water for their daily hydration.

1.5 million tons of plastic is used to manufacture water bottles for the global market each year.

Image courtesy of Polaris Institute & S. Perry

Water Privatization and Corruption

The very structures of privatization encourage corruption. Checks and balances that could prevent corruption, such as accountability and transparency, are missing at every step of the process -- from bidding on a contract to delivering water. Contracts are usually worked out behind closed doors with the details often still kept secret after the contract is signed even though it is the public that will be directly affected by the conditions of the contract. This situation opens itself up to bribery, which, if recent scandals throughout the world are any indication, is not an uncommon occurrence. Globally, a number of public officials have been convicted of accepting bribes from companies bidding on public service contracts and sentenced to time in prison.

We need to consider the history of privatization and globalization that fosters corruption. For example:

- Suez and Vivendi have been convicted of bribing government officials to obtain contracts. For instance, in Bridgeport, CT, between 1996 and 1999 PSG (owned by Veolia) gave $700,000 to two close associates of Joseph Ganim, then the mayor of the city, in order to obtain a contract to operate the city's wastewater treatment plant. Ganim was subsequently convicted in the U.S. District Court on 16 counts, including extortion and bribery.

- French Suez and Thames Water had to flee Indonesia after the government was overthrown because of their collaborations with the dictatorship of General Suharto. The water delivery system was thrown into complete disarray. Both companies later returned, working through new local ventures, to reap the profits from the privatization of Jakarta's water system. Incredibly, Thames Water continued to do business with the son of the fallen dictator, General Suharto, (http://www.psiru.org/reports/9909-U-U-Corrup.doc "Privatization, Multinationals, and Corruption.)

- A Veolia official and a local sewage official were charged with embezzling $300,000 from the town or Rockland, MA.

- In Grenoble, France 1996, a former mayor and government minister and a senior executive of Lyonnaise des Eaux (now Suez-Lyonnaise) both received prison sentences for receiving and giving bribes to award the water contract to a subsidiary of Lyonnaise des Eaux. (http://www.psiru.org/reports/9909-U-U-Corrup.doc "Privatization, Multinationals, and Corruption

- In Lexington, KY, in September of 2004, a city councilor revealed that Kentucky American Water had offered to run his entire re-election campaign if he dropped his opposition to their operation of the city's water system. Kentucky law forbids corporations from making direct campaign contributions. The company has made no attempt to hide its activities, however – the company's official business plan, filed with the state, says that "we need to work harder to get people elected to the [City Council] who have a pro-free-enterprise philosophy." (Polaris)

There have been many more cases where company's relationships with past and present public officials haven't explicitly violated the law, but have raised some serious ethical questions. At the very least, it is clear that water companies have pursued a policy of rewarding former elected officials for their past help and taking advantage of the influence current and former elected officials have with their colleagues and their communities:

Taunton mayor Richard Johnson is now a Vice President at US Filter, which runs the city's wastewater treatment plant. (http://easyplantmaintenancecom.cybertechosting.net/WWEL_Archive/wwel25.htm)

Patrick McManus, who championed water pri-

vatization when he served as Mayor of Lynn, now serves as a Senior Advisor to US Filter, the company which won the city's water contract under his watch. (http://www.usmayors.org/uscm/us_mayor_newspaper/documents /05_28_01/best_practice_lynn.asp and http://mayors.org/ uscm/us_mayor_newspaper/documents/11_17_03/statements.asp)

Former State Representative Dennis Murphy is now a lobbyist for Aquarion, and has been attending city council meetings about water privatization in Holyoke, the town he used to represent in the legislature.

In some cases, sitting officials even have close relationships with the companies that are pushing for water privatization in their communities. For example:

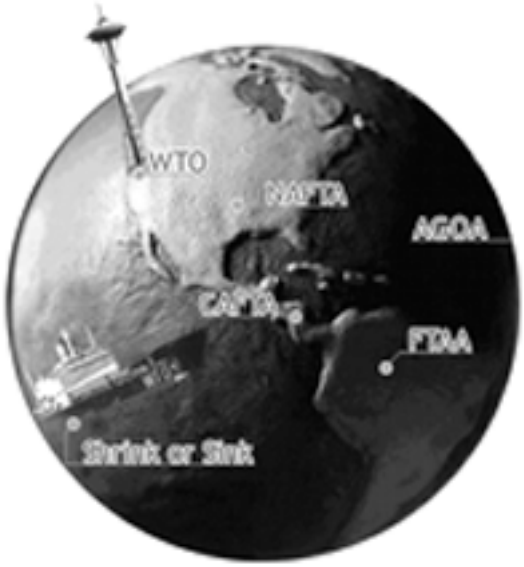
Chris Hodgkins, the town moderator in Lee, is also a Vice President at Veolia Water North America, and spearheaded the company's efforts to push water privatization in the town. While Hodgkins did publicly disclose his relationship with the company, and recused himself from votes on water privatization, many Lee residents remained profoundly uncomfortable with Hodgkin's role in the process. (http://www.waterindustry.org/New%20Projects/Lee-9.htm)

Holyoke Mayor Michael Sullivan is a member of the US Conference of Mayors' Urban Water Council, a group whose stated purposes include providing "a forum to assist local government in exploring competition and public-private partnership approaches." In 2003 Sullivan testified on behalf of the group before the U.S. House of Representatives Subcommittee on Water Resources and the Environment, presenting" public-private partnerships" as an important mech anism for helping financially strapped communities fund their water systems. The "Meet the Mayors" Section of the U.S. Conference of Mayors' website is sponsored by Veolia, one of the largest companies involved in water privatization.

And one of Sullivan's key fundraisers, George Neeves, has been hired to "represent" Aquarion, and has contacted Holyoke City Council members on the company's behalf, though he denies that he is a lobbyist.

Such relationships quickly become problematic when officials are forced to choose between their loyalties to the communities they serve and their loyalties to the companies that employ or support them. In Holyoke, Mayor Sullivan led a push for water privatization despite massive public opposition to the plan. Holyoke residents packed the hearings on privatization in droves, filling the high school auditorium to capacity, with more than 400 people registering their opposition to privatization at just one meeting. Despite this unprecedented public participation in the process, Sullivan refused to follow through on his commitment to analyze the cost of maintaining public control of the sewer system, thereby denying the community essential information it needed to make an informed decision.

With more and more communities rejecting water privatization, companies are resorting to increasingly desperate and often unethical measures to secure new contracts. Such corruption denies people the kind of open public process they need to have a role in determining the future of their own water supply and fundamentally undermines democracy.



Water Privatization and Job Loss

Private corporations seek to increase profit margins by cutting costs; hence privatization is almost always accompanied by lay-offs and inferior services.

In city after city, around the world, private companies have enacted massive layoffs after taking control of municipal water systems:

- In Atlanta GA, United Water cut the workforce from 700 to just over 300. Severe delays in maintenance and work orders followed – some broken water mains went unrepaired for over two months.

- Following privatization in England, over 100,000 workers were let go: more then 25% of the work force

- Following privatization in the Philippines, 1/2 of the workforce was let go.

- Following privatization in Indianapolis nearly 200 workers were laid off. Remaining workers faced severe cuts in their benefits.

- Following Privatization in Cordoba, Argentina, Suez cut the workforce from 1300 to 436 in just two years. (http://www.psiru.org/reports/2002-06-W-Latam.doc "Water Privatization in Latin America, 2002)

- Following privatization in Adelaide, Australia, 33% of the work force was laid off. (http://www.psiru.org/reports/2004-12-W-Asia.doc -- Water privatization and restructuring in Asia-Pacific, Public Services International Research Unit, London)

- Following privatization in Trinidad, hundreds of workers lost their jobs, leading to severe delays in repairing leaks. (http://www.psiru.org/reports/9909-W-Latam.doc Water and Privatization in Latin America, 1999)

Delays in service and accidents routinely follow the firing or departure of experienced personnel. Since 1999, Thames Water, the largest water and waste water company in England, has been convicted of environmental and public health violations two dozen times and fined roughly $700,000 after allowing raw sewage to flow into open waterways, over streets, onto people's lawns and even into people's homes. Severe delays in maintenance and repairs followed privatization in Atlanta – in some cases it took United Water two months to repair broken water mains. In Indianapolis, following lay-offs, an employee of Veolia entered the wrong value into a computer and the company ended up using the wrong mix of chemicals to treat the water – as a result, a million people were issued a boil water order, schools were closed, and hospitals and restaurants had to buy bottled water. (Public Citizen – Waves of Regret.)

Layoffs also make it extremely difficult for communities to reverse the process of privatization. The experienced workers who have worked with a city's water department for years are the people who have the best knowledge of the city's infrastructure. When they leave, the city loses the institutional memory they bring to the job.

Companies commonly convince municipal governments that they can save money by replacing union workers with a non-unionized workforce. But any money the company saves by laying off skilled workers goes to the shareholders, not to the ratepayers. Communities are then left paying the social and environmental costs that come with deterioration in the quality of their water and sewer services as well as the quality of life in their communities. The promised savings never materialize and good, solid jobs are lost as is the revenue that workers would have spent in the community.

It is a fact that many of the first contracted water delivery systems were done by private companies. But the circumstances of the country were much different then. There was very little public infrastructure or municipal revenue sources that could support municipal building projects in cities and most communities were still quite small. States commonly chartered new corporations for the limited purposes of completing specific public works projects.

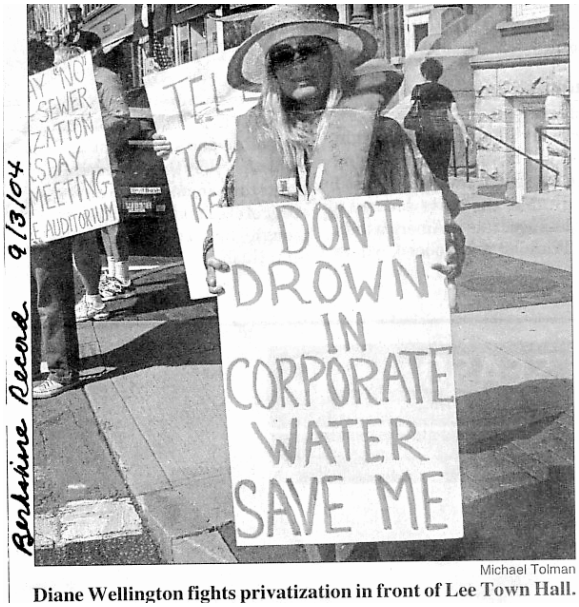
The nature of corporations was different as well. Multi-national trade agreements did not exist. And corporate charters were reviewed every year to see if the corporation had served the public good. Thankfully, by the time courts ruled that corporations have the rights of "personhood" (with many of the rights of a person, but none of the responsibilities), most of these private water services had moved into public hands.

Understanding the history and nature of the "corporate" structure is vital to understanding this issue. In 1886 in the case of Santa Clara County vs. Southern Pacific Railroad Company, the Supreme Court ruled that corporations are "persons" under the law with the same rights as human beings under the equal protection clause of the 14th Amendment to the Constitution. In oral comments in court, Chief Justice Morrison Waite said, "The Court does not wish to hear argument on the question whether the provision in the Fourteenth Amendment to the Constitution which forbids a state to deny to any person within its jurisdiction the equal protection of the laws applies to these corporations. We are all of the opinion that it does." A Supreme Court reporter who had been a railroad executive earlier in his career formally incorporated that comment into the head notes of the court's ruling, making it part of the formal legal precedent set by the case. (http://www.straightdope.com/columns/030919.html Cecil Adams "How Can a Corporation be Considered Legally a Person?" (Ironically, the court ruled in 1874 in Minor vs. Happersett that the 14th Amendment did not apply to women.)

Even though the Supreme Court found in 1873 that "the main purpose of the last three Amendments (13, 14, 15) was the freedom of the African race, the security and perpetuation of that freedom and their protection from the oppression of the white men who had formerly held them in slavery," only 19 of the 14th Amendment cases brought before the Supreme Court between 1890 and 1910 dealt with African-Americans' rights, while 283 dealt with the rights of corporations, serving to firmly entrench the doctrine of corporate personhood established in Santa Clara County vs. Southern Pacific Railroad Company. Cases in 1889 and 1893 extended due process rights and basic civil liberties to corporations.

The courts continued to expand corporate rights throughout the twentieth century. In 1919 in Dodge vs. Ford Motor Company the Michigan Supreme Court found that ""A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end," essentially reversing the idea enshrined in U.S. law in the eighteenth and nineteenth centuries that corporations existed to serve public purposes and were required to take the welfare of the public into account.

The U.S. Supreme Court ruled in 1922 in Pennsylvania Coal vs. Mahon that if a regulation harmed a corporation the government had to financially compensate that corporation in the same way that it would have to compensate a person for taking a home under eminent domain. In 1933 in Louis Liggett Company vs. Lee the court ruled that Florida could not tax chain stores at a higher rate than other corporations because all corporations



Michael Tolman

Diane Wellington fights privatization in front of Lee Town Hall.

had to be treated equally under the 14th Amendment. ("Timeline of Personhood Rights and Powers. www.wilpf.org/corp)

None of these rulings change the fact that whether or not it is legally a "person," a corporation is created when a state issues its charter, and the state retains the right to revoke that charter, nullifying the existence of the "corporate person." However, it has been a long time since a state government has revoked the charter of an abusive corporation.

Modern corporations are a long way from their roots. In the current legal environment, corporate managers are discouraged from putting the public good ahead of the company's profits. Shareholders can, in fact, sue a corporation for failing to do everything legally possible to maximize profits.

The size and scale of corporations has changed as well. Most corporations now operate across international borders. In many cases the budgets of corporations are larger than those of some of the countries they operate in. Operating on such a large scale, corporations are able to influence governments through lobbying, funding electoral campaigns, and threatening to move jobs and investments to more favorable climates if they don't get their way.

The corporate structure serves to limit the liability of individuals for decisions they make in the course of their work. The cost of potential fines and lawsuits is factored into the cost-benefit analysis around any given decision – when companies operate on such a large scale, financial penalties, rather than being a deterrent become simply another cost of doing business to be assessed, managed, and absorbed into the budget.

Reforms in the wake of the accounting scandals at companies like Enron and WorldCom have established stiff penalties for corporate managers and executives who defraud investors and mismanage shareholders' funds, but to a large extent there is still no individual accountability for managers and executives who violate environmental and labor laws.

Understanding Municipalities and Trade Treaties

Over the last fifty years a series of trade and investment agreements have made it easier for corporations to sue governments for regulating or limiting their corporate investments.

The U.S., Canada and Mexico adopted the North American Free Trade Agreement (NAFTA), in 1993. Under NAFTA corporations can sue governments for "erecting non-tariff barriers" and can demand to be compensated for any lost investments or revenues. In a famous early case under NAFTA, the U.S. corporation, Metalclad wanted to expand and reopen a toxic waste facility in southern Mexico. Government geologists found that the waste facility would have contaminated the local drinking water supply, so local officials denied Metalclad a permit, and the state government declared the area an ecological reserve in a failed attempt to further protect the water supply. Metalclad sued Mexico under NAFTA and won a $16.7 million settlement.

The NAFTA case brought by the California based Sun Belt Water in October 1999 against the province of British Columbia, Canada illustrates how bulk water could be impacted. Provincial officials issued a moratorium on bulk water exports after Sun Belt had contracted to export water by ocean tanker. Sun Belt then gave notice of intent to sue Canada under NAFTA for somewhere between $1 billion and 10.5 billion (Sun Belt's claim figure continued to change over the years) to compensate for lost profits. This case is still pending. The fact that the case is still pending-despite a lengthy legal process that actually dates back to the early 1990's is indicative of how determined the corporate players are – and indicates their willingness to gamble that they will be awarded a major windfall at the public expense.

The General Agreement on Tariffs and Trade (GATT) outlines a general framework for the trade in real, tangible goods. When the treaty was first proposed in 1947, it was supposed to simply encourage trade by lowering tariffs. But successive rounds of GATT negotiations led to the creation of the World Trade Organization (WTO,) an international body that uses secret "dispute resolution panels" to solve disagreements about trade. The WTO has a 10 year track record of getting global trade rules that put corporate interests ahead of public interests. Since early 2000 the WTO has shown growing interest in setting global trade rules that will not only permit the trade in water and waste water services, but will advance trade rules that promote privatization in support of the world's largest water service corporations.

This is being pursued through an agreement called the GATS. The General Agreement on Trade in Services (GATS) targets the removal of "non-tariff barriers" – laws and regulations that indirectly restrict trade such as labor and environmental laws. WTO claims that public services like water and sewer services are not being targeted by the GATS are disingenuous – WTO watchdogs (Corporate Europe Observatory and Transnational Institute) have exposed confidential documents clearly showing European Transnational corporations like Suez and Veolia explicity pushing for rules to advance the privatization of public water services.

There is also strong evidence these powerful GATS rules will affect public services as soon as these services are offered on a commercial basis. (e.g. charging for the service) or whenever there is any kind of competition in providing the service. (e.g. a commercial water hauler or private sewer plant built for a subdivision)

When a country agrees to let a service sector come under a GATS rule, that country's government must treat foreign corporations in that sector at least as favorably as it treats domestic companies. So far, the U.S. has not allowed municipal water services to come under GATS rules. Applying these rules to the water sector would make it easier for European companies like Suez to gain a foothold in our communities.

In addition, to the global deal making an increasing number of bilateral trade and invest-

ment agreements have been signed, providing corporations with the same kind of power. These provisions may be extended to all of Central America and the Dominican Republic if the Central American Free Trade Agreement (CAFTA) passes in Congress, while the Free Trade Agreement of the Americas (FTAA) for the whole hemisphere waits in the wings.

The implications of these agreements are being felt close to home. For example, USA Springs, based in Pelham NH, plans to build a water bottling plant in Nottingham NH. It has applied for a permit to pump hundreds of thousands of gallons of water a day from an aquifer that underlies Nottingham, Barrington, and other towns in three watersheds. The company's own tests say it can safely pump 310,000 gallons per day, enough to fill one million 20 oz. bottles every 24 hours. USA Springs has said it plans to sell the bottled water in Europe. USA Springs is established as a Realty Investment Trust leaving the identities of their investors a mystery to the public.

Because USA Springs plans to sell the water as a commercial product, GATT, GATS and other WTO rules regulating food products would come into play. U.S. Trade Representative Robert Zoellick has issued an informal finding regarding the relevance of international trade treaties in this case. In a letter to U.S. Representative John Sununu, dated May 10, 2002 Mr. Zoellick states, "Once local authorities decide to permit bulk water to be extracted from an aquifer, bottled, and sold as an article of commerce, WTO rules would likely apply to the sale of that article of commerce".

If foreign investors are involved in USA Springs, a WTO tribunal could declare that pumping water is a service that falls under the GATS rules. Then applying the provisions of "national treatment" and "market access" rules, the tribunal could declare that government regulations cannot discriminate against any foreign investor or limit the number of companies granted licenses to pump. This would greatly limit the ability of states or localities to protect their water sources.

Under GATT, General Agreement on Tariffs and Trade, quantitative restrictions affecting exports are prohibited, but exceptions can be made for natural resource conservation. But under the GATS, there are no exemptions for natural resource conservation. Under the GATS section on domestic regulations, any regulations considered "more burdensome than necessary to assure quality of service" are considered unfair barriers to trade. A sercet, unelected trade tribunal would resolve whether regulations are considered fair or unfair.

The trade agreements can be equally opaque and unpredictable when it comes to municipalities entering into a business relationship with multinational corporations to provide local water/sewer services. Such contracts can take on ramifications that most local public officials are completely unaware of and could put them in jeopardy if a challenge by the corporation's home country comes before a WTO tribunal. The risk is greater if the company has a Canadian or Mexican subsidiary that can sue directly under NAFTA.

International trade treaties have dramatically changed the legal and economic playing field, taking power away from local and state governments while strengthening the hand of multinational corporations. Under these new rules it is essential that communities exercise extreme caution before entering into any contract or partnership that will effect the local water supply – because once private companies have been welcomed into a new market, it can be nearly impossible to successfully regulate their activities or to regain public control of the water.

Understanding Privatization & Water Conservation

Conservation and privatization are polar opposites. Water conservation uses less of the vital resource and considers its value. Water privatization seeks to maximize usage since the end result is maximum profits, the only legal end result that for profit corporations are allowed to seek. United Water was fined $95,000 for overdrawing wells by as much as 131% in two counties, in FL from 1998-2000. (Polaris)

Private companies operate according to the dictates of the market. Market pricing tends to encourage high levels of consumption because the costs per gallon of delivering water decrease as the total volume increases. Higher volume users are also in a better position to negotiate prices, so market systems tend to favor them. (Quest for Peace -- Five Good Reasons to Stop Water Privatization)

Water conservation supports efforts and programs that consider present conditions and account for future needs. Whereas privatization promotes an agenda for water availability for only those that can afford it with the value set by decision makers outside of the community. There have been cholera outbreaks in South Africa in areas where people drank dirty water because they couldn't afford to re-activate pre-paid water meters installed when their water was privatized. (Polaris)

Conservation has many different faces. Water-efficient irrigation techniques can be introduced. Older toilets and showerheads can be replaced with low-flow models. Leaky water infrastructure can be fixed or upgraded. Water can be reused. Water rate structures that encourage conservation can be phased in. Water-efficient landscaping can be encouraged. And crops requiring less water can be planted in lieu of water-intensive varieties.

Keep in mind that while residential water use still accounts for the majority of water use from the public supply in most Massachusetts communities – 68% of the water use in southeastern Massachusetts according to a study by the University of Massachusetts – Dartmouth, (http://www.umass.edu/cranberry/downloads/wateruse.pdf) individually industrial and agricultural consumers use more than their share of water, and, as bulk purchasers, are in a stronger position to negotiate favorable water rates than residential users and therefore have less incentive to conserve. Industrial and agricultural users also contribute far more to water pollution than residential users, raising the costs of water treatment. Fertilizer and pesticide run-offs from farms and golf courses pollute local water supplies. Many industrial users introduce toxic chemicals into the sewage system. As clean water becomes a scarcer and more precious commodity, communities will need to consider imposing tougher water conservation measures on the heaviest users, and charging industrial, commercial, and agricultural users for the dramatically increased burden they put on water treatment plants. As a culture we will also need to reflect on whether water-intensive industries are worth their ecological price: Does growing crops in areas with inadequate groundwater and surface water l make sense when we have a tremendous food surplus in this country? Can we afford to let companies use tremendous amounts of water to make soda when there isn't enough drinking water available to meet a community's needs?

Bottling and exporting water leads to the rapid depletion of aquifers. Water used locally often eventually finds its way back into an aquifer, water taken out of a region is never recycled back to its original source. In the case of "fossil water," underground water deposits that aren't fed by rainwater or streams, this water can never be replaced. And bottled water companies have no incentive to conserve water – once they deplete one aquifer, they simply move on to another. In fact they have a built in incentive to drain aquifers quickly – when drinking water becomes scarce, companies can sell bottled water for a higher price.

International trade treaties make it very hard to place limits on the exploitation of aquifers once the water is sold commercially across an international border. As an example, international mining com-

panies working in Chile planned to purchase water from an entrepreneur in Bolivia who planned to tap underground fossil water deposits in the country's high desert plateau and take the water across the border to the Chilean mines. The indigenous people who live on the plateau and depend on that water supply for their survival are in a tough position, because under the General Agreement on Tariffs and Trade (GATT,) if the Bolivian government restricted the sale of the fossil water it would have to limit the Bolivian peoples' access to the water as well. (Ruth Caplan "Trading Away Our Water") (See "Understanding Municipalities and Trade Treaties" above)

This precedent suggests that in order to place restrictions on the amount of water bottled water companies can draw from aquifers, state and local governments may have to further restrict private wells being used by homeowners and municipal groundwater use.

Despite the fact that Massachusetts is a water-rich state, many cities and towns face water shortfalls particularly in the summer months, because residential and business development are putting increased pressure on municipal water systems. Most communities opt for temporary measures to deal with these shortages, such as placing mandatory or voluntary limits on watering lawns and gardens.

In the 1980's and 1990's the city of Boston undertook some more aggressive conservation measures. According to a recent article in National Wildlife magazine:

> "In the mid-1980s, when Boston was faced with spiraling demand for water and limited supplies due to drought, instead of tapping new sources and building costly tunnels to transport water, the Massachusetts Water Resources Authority opted for conservation. By the mid-1990s, the city's water-conservation campaign was well on its way. The water authority provided more than 400,000 Boston-area households with water-saving devices—low-flush toilets, low-flow showerheads and low-volume faucets. Leaky water mains and pipes were repaired, saving 30 million gallons a day. Advice on water-saving technologies and measures also was made available to industries and businesses. The result: Between 1980 and 2003, Boston reduced its water demand by 31 percent, from 340 million gallons daily to 235 million, at a third the cost of tapping new supplies." (http://www.nwf.org/nationalwildlife/article.cfm?issueID=68&articleID=928)

Needless to say, a private company would have little incentive to undertake such measures.

Conservation measures have made a big difference, but Massachusetts continues to face a crisis as many aquifers are being rapidly drained by new wells, reducing the water flow in the rivers and streams the aquifers feed. The Ipswich River is already dangerously depleted, and state officials say that the Charles, Concord, Assabet, and Sudbury rivers are "stressed."

State officials have placed new limits on the amount of groundwater that communities and individual homeowners can draw from these river basins. But state officials say that there hasn't been a comprehensive survey of how groundwater depletion is affecting the state's rivers, and that the situation may be getting worse. (http://www.uswaternews.com/archives/ As yet there has been little if any research on the impact the bottled water industry is having on groundwater levels statewide.

Water is a precious resource that is growing increasingly scarce even here in Massachusetts. Private companies can't be trusted to conserve and protect our surface water groundwater – water resources need to be managed by agencies accountable to the public in order to insure that there will be enough water to meet everyone's basic needs in the decades to come.

Image courtesy of Polaris Institute & S. Perry

Bottled Water and Water Privatization

Creation of Bottled Water Lifestyle

"Bottled water is like the mobile phone - it's become a fashion accessory," said Simon Wessely, an epidemiologist and professor of psychological medicine who recently explored the impact of bottled water marketing in the British Medical Journal. "There's been this kind of anthropological change. What is it for? For safety? I don't know why it is that people walk the street and come to meetings with their bottled water."

In the United States, bottled water is the fastest-growing major beverage, with more than $7.9 billion in sales last year, an increase of almost 20 percent in two years. Sales of mainstays like beer, coffee and milk have remained static while soft drink sales are slowing.

Where there is a demand for the trade of water across borders, it is already well underway. The trade in bottled water is one of the fastest-growing (and least regulated) industries in the world. In the 1970s, the annual volume was 300 million gallons. By 1980, this figure had climbed to 630 million gallons, and by the end of the decade, the world was drinking two billion gallons of bottled water every year. But these numbers pale in comparison to the explosion in bottled water sales in the last five years - over 20 percent annually. In 2000 over 8 billion gallons (24 billion liters) of water was bottled and traded globally, over 90 percent of it in non-renewable plastic containers.

Across North America, the bottled water industry is exploding. Bottled water sales are now the fastest growing segment of the entire beverage industry. Over the past decade, the consumption of bottled water has more than doubled in the U.S. alone. Bottled water consumption now outpaces that of coffee, tea, apple juice, milk, and beer. (It is second only to soda pop.)

Today, close to one-fifth of the population relies exclusively on bottled water for their daily hydration. Although bottled water may be needed in emergency situations, as when local drinking water

is contaminated, there are numerous reasons to oppose the commercial use of water here in Massachusetts.

As "Inside the Bottle" (a publication from the *Polaris Institute*) most bottled water here in the United States is simply local municipal tap or local springs, being sold back to the community at a markup of 250-10,000%. (Tap Water costs, on average, $.0015 per gallon)

Contrary to the myth that bottled water is safer it may actually be less so, as it gets regulated by the FDA (Food and Drug Administration) where the

Some Major Players in the Industry

Three major corporations dominate the bottled water industry in the U.S.

PepsiCo

The world's largest snack food company markets Aquifina – purified tap water which many customers mistakenly believe is spring water. The company's bottling plants have been accused of depleting scarce water resources in India and in the western U.S. PepsiCo also has a record of breaking unions both in the U.S. and around the world.

Nestlé

The world's largest food company has acquired ten regional water brands in the U.S. in addition to marketing eight brands internationally including Perrier and S. Pellegrino. In 2003, Nestlé was targeted in 12 class action suits in the U.S. claiming that it falsely marketed its Poland Spring brand of water as naturally pure. In Michigan, Nestlé's Ice Mountain subsidiary was cited for illegally diverting water and selling it outside a watershed, bringing down lake and stream levels.

Coca Cola

Coca Cola bottles Dasani water in the U.S. and is also the U.S. marketer for Danone' products including Dannon, Sparklettes, and Evian. Like Pepsi's Aquafina Coke's Dasani is essentially bottled tap water with some added minerals. Coke has been implicated in the depletion of aquifers and the pollution of ground water in drought-stricken regions of India. There are concerns that the company's bottling plants in the western U.S. may have similar effects on the aquifers there in the years to come. Coca Cola is currently the target of an international boycott because of its bottlers' connections with right-wing paramilitary groups that have killed and terrorized union organizers in Colombia. (For more information go to www.killercoke.org)

Source: Polaris Institute http://www.polarisinstitute.org/corp_profiles/public_service_gats/corp_profiles_ps_gats.html

regulations are not as strict at those found in the EPA (Environmental Protection Agency) which sets the regulations for tap water. The *Natural Resource Defense Council* (NRDC) found that bottled water is not necessarily purer then tap water. NRDC tested more than 1,000 bottles of 103 brands of bottled water. About 1/3 of the water tested contained levels of contamination including bacteria, synthetic organic chemicals, and arsenic. (From "Inside the Bottle", *Polaris Institute* www.polarisinstitute.org or www.insidethebottle.org)

There is also the simple environmental equation that needs to be done when we consider the damage that 30,000 plastic bottles discarded each day do to our environment as they get either land filled or incinerated. (1.5 million tons of plastic is used to manufacture bottled water for the global market- *Alliance for Democracy* Publication)

Draining of Aquifers

The withdrawal of large qualities of water from springs and aquifers for bottling has led to depletion of vital water supplies. An example of this depletion is illustrated in USA Springs' permit application according to the company's own data, are wells dropped more than 40 feet and water levels in prime wetlands dropped by 2 feet during a 10-day pump test.

Since groundwater and surface water do not follow typical town boundaries, watersheds connect all communities. Any proposal of taking thousands of gallons of water from the bedrock aquifer each day is NOT SUSTAINABLE.

If multinational companies and their lobbyists, lawyers, and deep- pocketed investors have their way in Massachusetts, every town's drinking water will be handed over to whoever puts the biggest straw in the ground to pump it out.

There are 4 major corporate players in the bottled water industry:

- Nestle
- PepsiCo
- Coca-Cola
- Danone – a French company whose bottled water products are marketed by Coca-Cola in North America

Here in Massachusetts

A number of companies are now bottling water from public taps and springs and wells here in Massachusetts. This is of great concern because in recent years groundwater levels have fallen dangerously low in a number of watersheds – including the Ipswich, Charles, Concord, Assabet, and Sudbury river basins. Little is known about the additional stress these water projects may be placing on the state's rivers.

Bottled Water From Public Taps Here in Massachusetts

- Aquafina Purified Water is bottling from a public municipal source in Ayer MA.
- Highland Bottled Water and Laurel Pure Water is bottling from a public municipal source in Holyoke, MA
- Nantucket Pure Bottled Water is bottling from a public municipal source in Nantucket, MA
- Nestle Waters No. America, Inc is bottling from a public municipal source in Framingham, MA.

Bottled Water From Springs or Wells Here in Massachusetts

- Berkshire Springs, Culligan, Bayberry Hill, Harmony Springs brands are bottled from a spring in Southfield, MA
- Belmont brand is bottled from a spring in Mendon, MA.
- American Choice, Best Way, Big Y, Brooks, Cape Cod, Desert Spring, HyTop, IGA, Miscoe Springs, Parade, Nature's Pride, Re & White, Shaw's, Trader Joe's, Western Beef, brands all bottled from springs in Mendon, MA.
- Hawthorne Brook Artesian Water brand comes from an Artesian well in Swampscott, MA.
- Old Kerry Water brand is bottled from a well in Haverhill, MA
- American brand is bottled from a spring in Raynham, MA.
- Pocahontas brand is bottled from a spring in Lynnfield, MA.
- Waters of Sand Springs, Crescent Creamery brand, are bottled from a spring in Williamstown, MA.
- Simpson Spring brand is bottled from a spring in South Easton, MA.
- Northern Mist, Shur Fine, Spring Hill, Demoulas, Pathmark, Hood, Farmland, Food Plus brands bottled from springs in Haverhill, MA.

Image courtesy of Polaris Institute & S. Perry

A Better Alternative

Some solutions are:

- Expand and democratize public and community controlled water utilities,
- Repair dilapidated water systems,
- Stop polluting existing supplies,
- Water conservation, and
- Watershed management.

None of this will happen if corporations are permitted to turn the global commons into profit playgrounds. If we allow the commodification of the world's fresh water supplies, we will lose the capacity to head off the impending water crises. We will be condoning the emergence of water elite that will determine the world's water future in its own interest. In such a scenario, water will go to those who can pay the most, not to those who need it.

In Massachusetts, campaigns are helping to organize communities to fight the privatization of water services and corporate takeover of water supplies at home and to unite with movements in other countries that are fighting against many of the same multinationals to keep their water safe and protect water as a human right.

Our state is in a unique position to lead the way for the rest of the nation by passing HB 1333 which would ban cities and towns from selling their water and sewer systems or contracting out their water and sewage systems, and ban private companies from drawing on municipal water supplies and springs to commercially sell water. The bill would also require private companies that currently control municipal water and sewer systems to sell them back to local governments at a fair price.

The state government should work with the governments of neighboring states to develop comprehensive conservation plans to protect aquifers that straddle the borders or that feed lakes, rivers, and streams in Massachusetts. The state needs to more aggressively assert its interest as a stakeholder when commercial water projects in neighboring states impact river flows and groundwater levels in Massachusetts.

The state should also work with local governments on developing strategies to control and limit residential, industrial, and commercial development, promote water conservation strategies, and develop sustainable, long-range plans to deal with increasing demands on municipal water systems. Much has already been done to encourage water conservation by residential customers, local governments should work to promote, and when necessary, mandate, more water conservation measures by industrial and commercial customers.

The federal government needs to make a commitment to fully funding the infrastructure needs of municipal water and sewer systems. The Massachusetts Congressional delegation should lead efforts to re-establish the Environmental Protection Agency's Construction Grants program, initially created under the Clean Water Act in 1972, and phased out in favor of a loan program in 1987. The program could be partially funded through a tax on polluting and water-intensive industries.

The Clean Water Act also needs to be strengthened. In order to reduce the cost cities and towns now bear for recycling wastewater, polluting industries should be required to assume the cost and responsibility of properly and safely disposing of the toxic chemicals they now pour into municipal sewer systems.

This movement shares the views that water is a common good and access to water is an inalienable human right. Water belongs to the Earth and all species and must not be treated as a private commodity to be bought, sold and traded for profit. Because the global water supply is a shared legacy, protecting it is a collective responsibility – not the responsibility of a few shareholders.

For More Information

Web Resources:

Water Allies Network
www.waterallies.org
Mass Global Action
www.massglobalaction.org/home/water/
Save Our Groundwater
www.saveourgroundwater.org
Public Citizen
www.wateractivist.org
Alliance for Democracy
www.theallliancefordemocracy/water.org
Check out "Trading Away Our Water"
Indigenous Environmental Network
www.ienearth.org/water_campaign.html
Water Observatory
www.waterobservatory.org
Water Justice
www.waterjustice.org
Polaris Institute
www.polarisinstitute.org and
www.inside-thebottle.org
Programs on Corporations, Law, and Democracy
www.poclad.org
Public Services International Research Unit, University of Greenwich, UK
www.psiru.org/
The Council of Canadians
www.canadians.org
Red Nacional de Consumidores de Nicaragua
www.consumidores-nica.org
Centro De Documentacion E Informacion Bolivia – CEDIB
www.cedib.org
Anti Privatisation Forum, South Africa
www.apf.org.za
Aid Watch, Australia
www.aidwatch.org.au
Navdanya, India
www.navdanya.org
Transnational Institute, Netherlands –
www.tni.org

Books:

Barlow, Maude and Clarke, Tony, *Blue Gold: The Battle Against Corporate Theft of the World's Water*. New Press, April 2003,

Clarke, Tony, *Inside the Bottle: An Expose of the Bottled Water Industry*

Finnegan, William, *Letter from Bolivia: Leasing the Rain*. The New Yorker Magazine, April 8, 2002. (Available on the SOG website by permission under "Articles"). The story of Cochabamba, Bolivia where citizens stood up to a U.S. water company—and won at the cost of a young life.

Glennon, Robert Jerome, Water Follies: *Groundwater Pumping and the Fate of America's Fresh Waters*. Island Press, September 2002. A professor of law from the Univ. of Arizona tells water stories, including some from Maine and Massachusetts.

Luoma, Jon R., *Water for Profit*. Mother Jones, November-December, 2002. Cities and water privatization.

Reisner, Marc, *Cadillac Desert: The American West and its Disappearing Water*. New York: Penguin Books, 1987.

Shiva, Vandana, *Water Wars: Privatization, Pollution, and Profit*. Cambridge, MA: South End Press, 2002. A physicist who became a world-renowned environmentalist, Shiva analyzes the erosion of communal water rights.

Resources

Activist Network

By becoming a MGA member, you are joining our extensive network of organizers and activists state-wide.

Campaign Assistance

Through partnerships with communities MGA works to develop strategy and win campaigns against the negative effects of corporate globalization across the state.

Online Clearinghouse

A regularly updated selection of focused articles for educational and action-oriented use by local, national and international activists.

Speakers Bureau

MGA organizers who can speak and lead engaging workshops on a variety of issues. MGA's speakers are available on a sliding scale fee to come to your community, student and non-profit organizations, church groups, and classes through-out the year.

Media Bulletins

Reviews of the weekly headlines in Massachusetts pointing to the effects of globa-lization and privatization in our state. Available online and through email.

Events

From panels to street theater, MGA is dedicated to spreading the word and educating about corporate globalization through dialogue and performance.

As a member of MGA you are being asked to:

Be a Watch-Dog

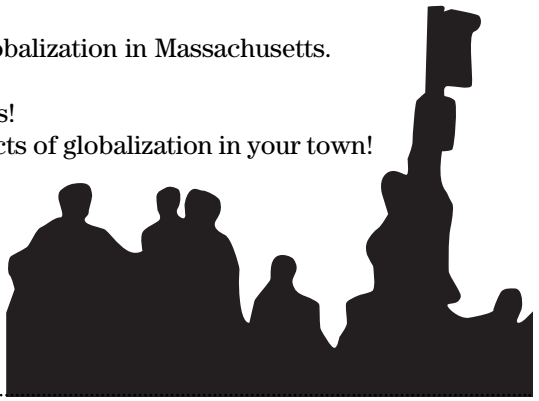
Keep a watchful eye on the negative economic, social, and environmental effects of corporate globalization in your community. Let us know what is happening and let's start organizing!

Spread Ideas

- Bring an MGA speaker to your community and learn about the effects of globalization in Massachusetts.
- Share the information in the MGA Clearinghouse with your neighbors.
- Start an action group in your town to stop corporate control before it begins!
- Write your local leaders, radio hosts and newspapers about the harmful effects of globalization in your town!

Join the Critical Mass!

Be a part of the mass movement of Massachusetts Global Action! Stay connected and fight corporate control across Massachusetts by lending your hand at campaign events and rallies!



Join Massachusetts Global Action today and say YES!. I want to stop corporate control in my community!

When you join MGA, you're entering a historic circle of resistance in Massachusetts. Families are welcome to join at any level.

Please choose a membership level and mail this form with your check or money order to:
Massachusetts Global Action • 33 Harrison Ave. • 4th Floor • Boston, MA, 02111

You can also join using a credit card with our online server at www.massglobalaction.org

❑ $10	William Lloyd Garrison Circle	❑ $100	Lucy Stone Circle
❑ $25	Ira Steward Circle	❑ $500	Daniel Shays Circle
❑ $50	Charles Lenox Raymond Circle	❑ $ _____	other

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