

## THE PRIVATIZATION OF WATER: THE WRONG DIRECTION

In 2004 the Ontario Ministry of Public Infrastructure appointed an “expert panel” to think, consult, study and report back on ways of meeting the province’s infrastructure funding deficit in water and wastewater systems. Mr. Harry Swain chaired the panel. The panel’s report, presented to the Ontario government in 2005, is called *Watertight: The case for change in Ontario’s water and wastewater sector*.

There are several fundamental objections to the findings, recommendations, and philosophical outlook of this report.

Ontario’s growing water infrastructure problems were largely caused by policies put in place by the previous Government in Ontario. These include:

- Further downloading of responsibility for water and wastewater services to the municipalities while they were already being saddled with other responsibilities;
- Cuts to the operating budget of Ontario Clean Water Agency and the Ministry of the Environment during the late 1990s;
- An aging infrastructure, growing infrastructure demands and increasing regulatory standards not matched by increasing public investment.

The *Watertight* report advocates even more of the very same policies that have put Ontario’s water infrastructure into this precarious situation:

- More downloading of costs onto municipalities;
- Greater privatization and corporatization of the publicly-owned infrastructure;
- Heavy-handed interference with decision-making over public services.

The recommendations of the report are based on an unfounded ideological assumption that private business operation will always be more efficient than public operation. This is completely false, and particularly so in the case of public services.

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### **Regional level corporations dominated by private sector boards**

*Watertight* recommends that Ontario's water and wastewater systems be operated by new municipally-owned corporations and run on a business model, like EPCOR (Edmonton Utility) in Alberta. Two-thirds (2/3) of the directors of these corporations would be appointed from the private sector and the rest would represent municipal councils. Small units would be consolidated into regional or county level corporations, removing responsibility for water and wastewater from lower tier municipalities.

### **Contracting out and privatization posed as the answer**

The Swain panel's recommendations are financially irresponsible.

Over and over, the report advocates "business planning", using a "business model" and having "business-oriented boards" and contracting out. Despite all this emphasis, the report never really explains why the proposed "business planning" is superior for water services than other types of planning that currently take place, nor does it examine alternatives.

The report advocates increased commercial borrowing instead of advocating for continued low cost sources of financing, such as through municipal borrowing or through Ontario Strategic Infrastructure Financing Authority. Municipalities can borrow at lower interest rates than corporations can.

*Watertight* does not deal with the fact that if corporations are to deliver water services they will be subject to the GST and other taxes not imposed on municipalities.

### **Water rates to cover all costs**

The Swain panel recommends that all water use be metered and that consumers have to cover the full costs of water and wastewater operations, without any subsidy from government. They make no mention of the fact that water is a basic necessity of life and the model they are proposing will lead to huge increases in the price of water.

Instead of recommending that subsidies be available to assist poor consumers to maintain their health and standard of living, *Watertight* recommends that any government subsidies should go to private corporations to assist them in developing profit-making opportunities in water and wastewater.

## **Conclusions**

The recommendations of Swain's *Watertight* report would take Ontario in the wrong direction, a direction of privatization; of for-profit consumer pay all water; and of a whole scale reduction in accountability to the people of Ontario.

What is needed from the Ontario government is a strong public commitment to having publicly owned and operated water resources. The delivery of water services should remain (and where necessary, be reinstated) as the highest public service priority for the Government of Ontario.

Public financing governance and service delivery provides the means of ensuring that our water systems are financially sustainable, that water is affordable and that we have the control to implement achievable, practical solutions today and into the future.

Water is essential to life – no one should be able to control it or expropriate it for profit. The right to water has been recognized internationally through the United Nations Committee on Economic, Social and Cultural Rights. The world's water companies would like to see water regarded as a human need, enabling them to control and sell water to the highest bidder for profit.

The Ontario government should support the real interests of the people of Ontario on this crucial issue – and not pander to the narrow interests of the multinational water companies.

*Source: Adopted from CUPE Research, March 2006*