



## PUPS: ANOTHER FAIRY TALE SOLUTION FROM FOOD & WATER WATCH

Food & Water Watch (FWW) hails public-public partnerships (PUPs) as “a more effective method for providing services” than private water solutions.<sup>i</sup> FWW says PUPs “bring together public officials, workers and communities to provide better service for all users more efficiently.”<sup>ii</sup>

To bolster their claim that PUPs are a preferable alternative to private water solutions, FWW provides examples:

*“Small communities around Baltimore pooled their purchases with Baltimore City to save \$1.5 million in 2010. The Baltimore Regional Cooperative Purchasing Committee sought to provide a regional approach for purchasing water treatment chemicals, among other things.”<sup>iii</sup>*

*“Garden City, Michigan, expected to save more than \$30,000 upgrading water meters by contracting with the City of Westland.”<sup>iv</sup>*

*“The towns of Fairhaven, Marion, Rochester and Mattapoisett, Massachusetts, saved \$4.9 million (23 percent) by building a shared water treatment facility.”<sup>v</sup>*

Joint purchasing agreements and the regionalizing of small systems are two important ways for water utilities to raise efficiencies. However, just like PUPs, PPPs offer these exact same efficiency benefits. In fact, given the scope of their operations, private water companies can often create even greater efficiencies through economies of scale than PUPs can.

However, one area where PUPs simply cannot compete with PPPs is on the issue of providing financing for water system investments. When a municipality does not have access to capital or public bonds for funding tens of millions in infrastructure needs, purchasing efficiencies offered by PUP collaboration are not going to make those needed millions in funding suddenly appear. In contrast, a PPP can offer utilities direct access to private financing for infrastructure repairs and upgrades.

Experts agree – PUPs are useful for small-scale purchasing efficiencies but not for large-scale infrastructure financing. According to Gemma Boag of Oxford University and David McDonald of Queens University, “The writing on public-public partnerships (PUPs) ... is relatively thin, with a tendency to uncritically celebrate PUP initiatives and to gloss over ambiguous conceptual frameworks ... While the direct costs of creating and managing a partnership can be relatively minor ... **infrastructural improvements can be extremely expensive and leave PUPs in the same financial conundrum as other cash-strapped public-sector agencies.** Financing remains the Achilles’ heel of many PUPs, with the majority of donor funding for water projects still directed towards public-private partnerships (PPPs).”<sup>vi</sup> Other experts have found that PUPs are not able to solve infrastructure financing problems for municipalities lacking access to capital.<sup>vii</sup>

In addition, PUPs have shown an inability to effectively calculate risk or manage debt when taking over water and wastewater systems.<sup>viii</sup> Most public entities simply do not have the experience or the expertise in these areas, especially compared to the private sector.

For these reasons, PUPs are yet another example of a fairy tale solution being offered by FWW. When water systems are in trouble, needing capital for urgent infrastructure investment and repair, FWW offers two suggestions: 1) sit around and hope the federal government sends money; or 2) join forces with another public entity for some limited purchasing efficiencies but no viable infrastructure financing.

The contrast is clear: while FWW offers empty rhetoric, private water companies provide viable, proven solutions to address real, urgent problems.

#### Sources

<sup>i</sup>FWW, "Public-Public Partnerships: An alternative model to leverage the capacity of municipal water systems." February 2012.

<sup>ii</sup>FWW, "Public-Public Partnerships: An alternative model to leverage the capacity of municipal water systems." February 2012.

<sup>iii</sup>FWW, "Public-Public Partnerships: An alternative model to leverage the capacity of municipal water systems." February 2012.

<sup>iv</sup>FWW, "Public-Public Partnerships: An alternative model to leverage the capacity of municipal water systems." February 2012.

<sup>v</sup>FWW, "Public-Public Partnerships: An alternative model to leverage the capacity of municipal water systems." February 2012.

<sup>vi</sup>Boag, G. and McDonald, D.A. 2010. A critical review of public-public partnerships in water services.

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<sup>vii</sup>Miranda, "Developing public-public partnerships: Why and how not-for-profit partnerships can improve water and sanitation services worldwide" (2007) in Warwick and Cann (Eds), "Going public: Southern solutions to the global water crisis," pp. 63-70 (London: World Development Movement); "A Comparative Evaluation of Public-Private and Public-Public Partnerships for Urban Water Services in ACP [Africa, Caribbean, and Pacific] Counties," European Parliament's Committee on Development, May 2010.

<sup>viii</sup>Morning Call, "Lehigh County Authority Feeling Strain of water-sewer deal: blames Allentown's numbers." March 14, 2016. <http://www.mcall.com/news/local/allentown/mc-lehigh-county-authority-allentown-legal-dispute-lease-20160314-story.html>; WFMZ-TV, "LCA says Allentown improperly inflated sewer expenses." March 11, 2016. <http://www.wfmz.com/news/news-regional-lehighvalley/Local/lca-says-allentown-improperly-inflated-sewer-expenses/38468394>