



**TRUTH FROM
THE TAP**

WATER WISE: WATER FACT OR ACTIVIST FICTION?

The misguided activist campaign against the water industry is severely flawed. It only serves to deny local communities an important option for the provision of safe, clean and reliable water. It's time to set the record straight.

MYTH: Private operation of a water system results in increased costs for communities.

FACT: No matter what the model - public or private - the main driver of costs is investment to provide better service. Depending on a local community's unique needs, investments to strengthen local water and wastewater systems can sometimes result in higher costs. Private operators have strong incentives to run systems as efficiently as possible. In fact, public-private partnerships have been shown to lower a system's costs by 24 percent on average.¹

MYTH: Private water operators charge higher rates to increase their profits.

FACT: Rates are set based on the total cost of running the water system. Factors that affect costs include capital investment needs, water source, service area density, service area elevation, and water treatment needs. Whether it is a public-private partnership or a private water utility running a system, water rates are set and approved by the municipality, the state public utility commission or another public authority. Water operators cannot and do not increase rates without public input and approval.²

MYTH: Water companies take control of the water away from local communities.

FACT: In any model of water service, the water itself remains a public good. Water companies are in the business of providing water services - delivering safe, reliable water at the tap and operating efficient wastewater systems.

MYTH: Water companies aren't transparent, and communities have limited options for recourse.

FACTS: Contracts for public-private partnerships typically require local government oversight. They also usually have termination clauses if strict performance criteria for cost, quality and customer service are not met. Further, state public utilities commissions, which are set up to ensure strong protections for consumers, regulate private utilities that own water systems. A public utility commission or other public authority establishes customer rates. Along with state government, advocacy groups, and the public, the public authority also participates in regular reviews of rates to ensure they are necessary and fair. Water companies must be transparent and responsive to customer needs because they are accountable to customers and many public stakeholders.³

MYTH: Water companies don't care about the environment or public health.

FACT: A 2012 American Water Intelligence analysis of Environmental Protection Agency (EPA) data showed that the largest water companies have "near perfect" records in delivering water compliant with the Safe Drinking Water Act.⁴

MYTH: Water companies value profit above their customers and the environment.

FACT: All utility operations, public and private, must meet state and federal water standards. The EPA and individual states make no distinction between ownership or operational models when setting environmental and health protection standards. Water service providers care deeply about protecting the health of the customers they serve and the environment. Their top priority is to meet or exceed all state and federal regulations. As a result, the largest private water companies have "near perfect" records in delivering water compliant with the Safe Drinking Water Act, according to an American Water Intelligence analysis.⁵

MYTH: Private operation means fewer jobs and less expertise.

FACT: In many partnerships created today, public employees keep their jobs, typically at equal or improved pay. And under these agreements, existing public sector collective bargaining agreements are honored. Private water operators are specialists. Their employees are dedicated professionals with diverse experience in the field. In fact, private companies spend 2-3 times more on training and personnel development than their public-sector counterparts.⁶

MYTH: Water companies are not eligible for government loans with lower rates, and, therefore, private water models cost more.

FACT: There is a limit to public capital even for municipalities - it is not a bottomless resource for communities. Local governments across the U.S. are facing major and urgent water infrastructure needs, and public capital alone cannot cover the associated costs. The use of private finance is about "additionality" - gaining additional capital on top of public capital - not choosing private capital in lieu of public capital. Experts agree that private water models are a proven mechanism for local governments to meet water and wastewater infrastructure needs.

- 1 "Establishing Public-Private Partnerships for Water and Wastewater Systems: A Blueprint for Success," Water Partnership Council, 2003
- 2 California State Auditor, "Antelope Valley Water Rates," Report 2013-126, July 2014; Deloitte & Touche USA, "Regulated utilities manual: A service for regulated utilities," Feb. 2004
- 3 Geoffrey Segal, Georgia Public Policy Foundation, "The Atlanta Privatization: What Can We Learn?" 1/21/03; California State Auditor, "Antelope Valley Water Rates," Report 2013-126, July 2014; Deloitte & Touche USA, "Regulated utilities manual: A service for regulated utilities," Feb. 2004
- 4 "Investor-Owned Water Firms Boast Sterling SDWA Record," Global Water Intelligence, Oct. 2011
- 5 "Investor-Owned Water Firms Boast Sterling SDWA Record," Global Water Intelligence, Oct. 2011
- 6 "The Most Dangerous Government Jobs and Why They're Riskier Than the Private Sector," Governing Magazine, Nov. 2013