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January 29, 2009

Waste-water and Water Privatization: A Clear and Present Danger

Since passing the motion on November 16, 2008 to adopt the recommendations of a Deloitte report, the City of Winnipeg has made a bold move to dismantle our utilities' public-governance structure. The motion was passed with little public consultation or notice.

To understand the breadth of what was proposed at that November 19 meeting, one need only refer to the Council Minutes for that day, together with the report from Deloitte included with the minutes. The report tabled at the meeting made several recommendations including:

1. That the City of Winnipeg adopt the concept of a City-owned Municipal Corporate Utility (MCU) as a "new arm's length business model" that would operate city-owned utilities, including water services.
2. That Public Service be authorized to procure a "strategic partner" that would "bring private sector experience to the design, construction, finance and potentially the operation of the North and South End Water Pollution Control Centres as well as potential operation of the West End Water Pollution Control Centre".

The formation of an MCU could move our water utility away from public control. According to Deloitte, there are three broad types of utility governance: public (what we have now), private and the new model being proposed which is a hybrid of the other two. The report cites Edmonton's EPCOR as an example of an MCU.

The Parkland Institute's Diana Gibson prepared an in-depth report on EPCOR and reports that now there is a singular lack of oversight by City Council, who cannot include EPCOR-run utilities in its broader city-planning objectives. Public transparency has been severely curtailed as EPCOR is not subject to the *Freedom of Information and Protection of Privacy Act*.

Why would our City Council contemplate moving to an MCU? Why would we want *less* democratic decision making with such an essential public asset as water? Will our new MCU be able to avoid the above problems? Without further debate, we do not know.

Deloitte offers several reasons why an MCU model is better than the status quo. They claim that a utility partnership's governance structure allows it to "keep ahead of regulatory requirements" that protect the environment and public. But, evidence shows that corporations are extremely adept at avoiding regulations, or that the penalties levied for non-compliance are inconsequential. EPCOR, for example, was fined a mere $3,500 under the Alberta Environmental Protection and Enhancement Act

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when it failed to obtain approval before starting to build a new wastewater treatment plant (EPCOR has more than $4 billion in assets). Would the Province of Manitoba be more strict?

Deloitte does not explain why the current public-governance model is inadequate. In fact, they point out that there is "nothing to suggest that current regulatory requirements and services are not being met."

Deloitte claims that accountability for wastewater effluent quality could be improved "through the performance based contractual arrangement with the strategic partner". The strategic partner refers to the private half of a public-private partnership. The MCU would be the "public" partner; a private corporation would be the private partner. The CCPA's research into P3s shows that P3s often put wastewater treatment at risk. Cities such as Halifax, Hamilton and Atlanta Georgia had singularly unpleasant experiences with P3s.

Deloitte claims that potential P3 grants *may* not be accessible under the current model. But the City has already entered into P3 agreements for other projects, so it is not clear why it wouldn't be able to do so in the future. The point to be made is that neither the City nor the proposed MCU should enter into a P3 as they inevitably end up costing tax-payers more and have a high risk of lowering labour, health and environmental standards while increasing rates.

Deloitte has already consulted with leading private water/wastewater service providers. They include: American Water, EPCOR Water Services, Suez Environmental and Veolia Water. Deloitte reports that "we (…) expect significant market interest in the strategic partner procurement". The biggest risk identified by service providers is "procurement risk" (in other words, public protest).

We do not yet know details about the MCU but by definition it will be less public than the status quo and may even prevent politicians and citizens from knowing key information. We do not know which private-sector service provider will be chosen as the strategic partner, but it may be a multi-national corporation. Opening the door to a multi-national to deliver waste-water treatment brings us dangerously close to it accessing our water utility, in turn opening us up to attacks from Chapter 11 of NAFTA.

Neither the Council Minutes nor the Deloitte report explains why the move from the current public-governance model to an MCU is necessary. The existing model has and is serving Winnipeg very well and already accommodates P3 arrangements. Neither the minutes nor the report deal with the pressing concerns we have with P3s.

Provision of water and waste-water services is of great importance and the City should not undertake major changes to the governance of these services without extensive public consultation. MCUs in other jurisdictions have undermined public accountability and attracted privatization threats; P3s are extremely controversial – even by Deloitte's assessment. Winnipeggers deserve answers to the many question arising from November 16th's motion.

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