Chris Christie Privatizes New Jersey's Water

(Lucas Ropek) Last month, Chris Christie sold off New Jersey's public water supply to a bunch of corporations.

The Water Infrastructure Protection Act (WIPA), approved on February 5th, allows municipalities to sell their water facilities to private companies without public referendum. As part of Christie's privatization task force agenda, WIPA aims to balance Jersey's current budget crisis, while also fixing the state's water facilities that ail from "emergent conditions," or what the bill calls "serious risks to the integrity of drinking water and the environment." The Protection Act has alarmed New Jersey communities and watchdog groups, however, who claim, as activist Jim Walsh has said, the bill allows "multinational corporations to profit off increased water rates with virtually no recourse for New Jersey residents.''

Though flatly ignored by the national media, WIPA is a painfully important piece of legislation that comes at a pivotal juncture in the national and global conversation about how exactly we should "define" water. It also opens up bigger questions about private institutions and their role in shaping the public sphere — the first of which being, can we really trust corporations to do something that government has been doing for a hundred years?

The people of New Jersey certainly seem to be suspect. Chief among the outraged over WIPA's passage are public interest groups like Jersey's Division of Rate Counsel (DRC), which has lambasted the bill. Stefanie Brand, the Counsel's Director, expressed concerns in a statement to the NJ legislature, on Dec. 11th, saying she feared that:

1. **WIPA will raise the public's rates. A lot:** Because the bill strips authority from the Board of Public Utilities (BPU), the organization that has traditionally regulated rates in NJ, ratepayers run the risk of seeing drastic inflation. For Jersey's low-income communities, this is a frightening prospect.
2. **WIPA will diminish public control:** Not only does the new bill strike public referendum, but it delivers the people's water into the hands of an organization with few of the protections currently offered by the BPU. Consumer protection agencies like the DRC — groups that give consumers a "voice in setting energy, water and telecommunications policy" — may have little influence under the new bill. As a result, the public will have less to do with the management of their own water.
3. **Socialized costs for privatized gains:** Tradition holds that when water facilities are privatized, shareholders usually shoulder "acquisition-related costs," as they are the ones who stand to profit most from the deal. However, under the new bill, facility construction and other acquisition costs will be "recoverable in rates" — meaning ratepayers will subsidize the operation.

Concerns surrounding WIPA fit into a larger argument occurring nationally about the dangers of water privatization. In "*The New Economy of Water*," a comprehensive report released by The Pacific Institute, analysts posited a number of risks to democratic and political institutions implicit in privatization. Many of these concerns are identical to those expressed by Brand and the DRC. Among the concerns, the report warns that:

- Privatization can worsen economic inequality
- Privatization may circumvent public participation, public ownership, and contract monitoring
- Privatization of water systems may be irreversible

An analysis done by watchdog non-profit Food and Water Watch seems to support fears of worsening economic iniquities. The report found that on average, where privatization had already occurred in Jersey, households paid*64 percent more* for their water. In other states, cases are similar. In Felton, CA, for instance, American Water (AW) bought up state facilities, after which RWE — its parent corporation — proposed raising rates on payers by 78%. In Urbana, Illinois, too, AW bought the public's water, then quickly proposed a 60% increase in rates. Not exactly a better deal for middle-class ratepayers.

Fears of "irreversibility" also hold some credibility. For state officials in desperate municipalities, water facility sales may appear a short-term financial solution to budgetary ailments. However, these solutions often come with a long-term price tag: water contracts can last decades (WIPA, for instance, allows companies to own public facilities for up to 40 years) — making protracted and expensive lawsuits the only viable means of public reclamation.

In the past, communities have waged legal battles with their legislatures when privatization deals did not work out to their advantage. Yet WIPA's waving of public referendum effectively negates that ability.

These debates over the dangers of water privatization come at a time when the international community is also discussing how to head off the global water shortage. Inefficient state facilities have forced scientists and politicians to rethink the means by which water can be stored and distributed. A growing number of analysts have argued that the private model is a more effective means of preserving dwindling water supplies. Smelling the aroma of fresh greenbacks, a small coalition of international corporations — accompanied by The World Bank — are pushing for a *global* water privatization initiative.

The Polaris Institute reports that:

> There are ten major corporate players now delivering fresh water services for profit. Between them, the three biggest — Suez and Vivendi [recently renamed Veolia Environment] of France and RWE-AG of Germany — deliver water and wastewater services to almost 300 million customers in over 100 countries, and are in a race, along with the others such as Bouygues SAUR, Thames Water (owned by RWE) and Bechtel-United Utilities, to expand to every corner of the globe. Their growth is exponential; a decade ago, they serviced around 51 million people in just 12 countries. And, although less than 10 percent of the world's water systems are currently under private control, at the rate they are expanding, the top three alone will control over 70 percent of the water systems in Europe and North America in a decade.

Yet in many third world countries where water supplies have already been privatized, communities have encountered the same problems that plague U.S. towns like Felton and Urbana. Rates skyrocket, which drives inequality up. In some cases, health concerns have arisen, as well. Management and efficiency, too –the supposed areas in which private companies are supposed to outperform state governments — are spotty. Al Jazeera America reported that there was a "34% failure rate for all private water and sewerage contracts entered into [globally] between 2000 and 2010." Not exactly a ringing endorsement for corporate competency.

Tough decisions are ahead. The debate over water privatization goes beyond issues of safety, efficiency and profit, to the question of what exactly an American citizen is entitled to. Analyst Karen J. Bakker has said that while water has historically been considered a "public good," a universal right, and a "necessary precondition for participation in public life," privatization makes it: "no longer a public good…but a tradable good," subject to the fluctuations of the market.

Perhaps the most troubling aspect of the WIPA is the extent to which it fits into the larger privatization trend in the U.S., one in which middle-class rights are being declared as tradable goods. It's a process that, in general, makes things less affordable to the average family: after school programs,universal child care and higher education — once state-subsidized programs — have become costly, privatized industries. Worker benefits such as retirement plansand pensions have evaporated. If the privatization enthusiasts had their way, we'd also be doing without the federal minimum wage and the weekend. In the private sector's consumption of the public sector, boundaries between "natural rights" and "commodities" have dissolved and aspects of life that have traditionally been considered *universal* privileges have instead become privileges of wealth.

And now they're coming for our water. Yikes.

Borders between government and big business are dissolving. Legislation like WIPA — fast-tracked and vetted of referendum as it was — is nothing more and nothing less than governments selling their people out to corporations. The communities both pay for the operation and forfeit their right to manage their own resources.

Doubts naturally persist over the ability of private entities to take on public responsibilities when their priorities remain profits, not people. In situations where government oversight has not sufficiently been included, the privatization of public institutions has lead not only to rising levels of inequality and circumvention of democratic process, but to *severe* abuses — with examples running the gamut from the current crisis over for-profit colleges like Corinthian, to the horrors of prison privatization, to Blackwater and the Nisour Square massacre.

The demand for water is perfectly inelastic: Regardless of price, people need to drink. This being the case, water would seem to be a product *least*-likely to be handled well by the private sector. Given the disastrous results in the places where it's been tried, there's no reason to be anything but skeptical at least and outraged at best over New Jersey's plan to privatize their water supply.