

# The Dawn of Privatization

*“Looking at small advantages prevents great affairs from being accomplished.”*

—Confucius

**A**sk anyone about the role safe drinking water plays in public and economic health and the answers undisputably would be the same: crucial.

Now ask: What are utilities doing to ensure that safe water is available at the turn of the tap? The answer is: struggling.

As 100-year-old water and sewer infrastructure surpasses its expected life span, managing capital costs and dealing with financial issues takes center stage for utilities across the nation.

For quite some time now utilities have been forced to rob Peter to pay Paul, prioritizing dire projects and postponing other improvement endeavors indefinitely. Those utilities that are able to tackle challenges proactively are focusing on slashing their energy costs and optimizing other existing assets to offset the cost of services. As funding availability diminishes,

so does hesitation for rate increases.

According to a recent Probe Research Inc. report, increasing demands on available water supplies by industry, agriculture and expanding population have necessitated a reexamination of water resource management practices and related pricing policies. Utilities are recognizing that they must incorporate the ever-increasing capital costs associated with maintaining, replacing and expanding water infrastructure into their current pricing structure.

In its 2012 national research study, “A Clear Perspective U.S.A. 2012,” Probe Research revealed that, nationally, more than two-thirds (70%) of individuals relying on a utility for their drinking water supplies expect the price of their tap water to increase substantially within the next five years. One-fifth (21%) of these municipal system users did not expect to be paying significantly more for their tap water in the near future.

Reflecting these findings is another report by global news organization Circle of Blue, which states that water rates for residents across 30 major U.S. cities have gone up an average of 7.3% during the past year and 17.9% since 2010.

But rates alone are not going to make up for the \$1 trillion needed for repairs and expansion of U.S. water infrastructure over the next 25 years, according to the American Water Works Association’s “Buried No Longer: Confronting America’s Water Infrastructure Challenge” report, released earlier this year.

As the nation slowly recovers from the recession, shifts in customer base are affecting revenue collection. Water conservation and drought restrictions are also taking a toll on utilities’ balance sheets.

Many feel that the answer to water’s financial problems is privatization.

Currently, millions of Americans receive water services from a privately owned utility or municipal utility operating under a public-private partnership. Privately owned water utilities are able to provide safe, reliable drinking water to their customers. These systems are subject to public health and environmental regulations at the state and federal level, as well as economic regulation at the state level by the various state public utility commissions, which oversee and set water rates.

Where there is support, however, there is also opposition. Backlash against privatization is usually tied into higher costs and fear of dramatic rate increases.

While I don’t expect the predicament over privatization to resolve itself overnight, the bottom line is that municipalities are in need of financial help. If they do not want to fall further behind in maintaining and upgrading their infrastructure, I predict that attitudes toward public-private partnerships will shift from cold to lukewarm.



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*Water & Wastes Digest* is published exclusively for the 85,000+ decision makers in the municipal and industrial water, wastewater and water pollution industries. These individuals actively design, specify, buy, operate and maintain the equipment, chemicals and services used for water treatment. Editorial content in this audited publication highlights new products and technologies concerning the supply, collection, treatment and distribution of drinking water; the collection, treatment and disposal of wastewater; and hazardous waste pollution control. A product directory is included in the annual June Buyer’s Guide.

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