

Is water privatization a good idea in Pennsylvania? | Pro/Con

Pennsylvania has become a “battleground” in a debate over the benefits of selling municipal water and wastewater systems to a for-profit, private company.



Nathan Sooy, Pennsylvania coordinator for Clean Water Action, speaking at a protest in front of Aqua America headquarters in Bryn Mawr in 2012.

by J. Andrew Sharkey and Bill Ferguson, For The Inquirer

Updated

Sep 23, 2022

Pennsylvania has [become a “battleground”](#) for residents grappling with an important question: Should they [sell their municipal water and wastewater systems](#) to a for-profit, private company?

Some townships have [already taken the plunge](#), while others are fighting it off. Earlier this month, Bucks County called off a [proposed \\$1.1 billion sale of the county's sewer system](#) to Aqua Pennsylvania following strong opposition. The deal, if it had gone through, would have been the country's largest privatization of a public wastewater system.

We asked two local residents to weigh in: **Is water privatization a good idea in Pennsylvania?**

No: Privatization brings higher rates, no benefits

By Bill Ferguson

Pennsylvania citizens are being victimized by big water companies. These profit-motivated companies are driving a statewide acquisition frenzy to privatize municipal sewer and water operations. These companies extract big profits from new customers by raising their rates dramatically. They are pouring hundreds of millions of dollars into the acquisition feed trough. Unfortunately, many municipal politicians are flocking to the trough to get what they see as “free” money. Except this money is not “free.”

There is no benefit to the customer, only higher rates. Municipalities are nonprofit, and you pay only the cost of service. Investor-owned companies collect all that same cost, then add their hefty profit.

Here are some of the deceptions these companies use to entice municipal politicians: First, the local government gets a big check — a candy jar of “free” money for pet projects. No tax increase required. But then its water and sewer customers are hammered with rate increases that can [nearly double the cost of their service](#). This is effectively a backdoor tax increase. Alternatively, the local government could fund that pet project candy jar by issuing a bond, which will be cheaper than the rate increases its customers will be stuck with forever. It is totally irresponsible to overcharge constituents when lower-cost options are available.

There most likely will be claims that the water or sewer system is falling apart and requires large investments to repair it. This is a scare tactic. Take Aqua's purchase of New Garden's sewer system. Before the sale, Aqua [promised to spend \\$7 million on upgrades](#). Two years later in a court proceeding, suddenly [only \\$2.5 million was needed](#). Vague claims about improvements should not be trusted.

As part of the falling apart tactic, Big Water will claim it can do the repairs cheaper. This is also a deception. When Big Water makes improvements, what the customer pays is

significantly higher, due to the company's need to charge more to make a profit. If repairs really are needed, the local government can do it cheaper for its customers. As an enticement, water companies may promise to freeze rates, typically for one or two years. This is just another deception. Big Water [cannot raise rates until it justifies its next rate case](#) before the [Pennsylvania Public Utility Commission](#). Typically this is every two to three years, hence a short-term "freeze."

A related tactic is a "rate stabilization fund." This sounds good but is likely bogus. The ploy is that some of the sales proceeds will be used to offset rate increases for five to 10 years. If you are being promised this, make sure it is ironclad and adequately funded. Expect the funding estimates to be woefully inadequate.

"Big Water probably is competent but offers no advantage." - *Bill Ferguson*

Big Water claims it's a competent professional and may produce some materials hinting that municipalities put the public in danger. There are literally thousands of municipal water and sewer systems providing safe and reliable service at reasonable cost. All systems, public or private, have to meet the same standards. The technology to do so is well understood and readily available. Big Water probably is competent but offers no advantage.

If your municipal system is a privatization target, assume the sales pitch is hogwash, because it is. There will be no change in service, and your utility bill will go up dramatically. Ask tough questions, and do not accept evasive answers. The sale should not go forward until the supposed benefits are proven, and all promises are irrevocably guaranteed.

A customer approval vote should be required. If privatization is so wonderful, prove it to the customers and let them decide. The customer has been the pawn in this Big Water acquisition frenzy for too long.

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Ginny Marcille-Kerslake, an Eastern Pennsylvania organizer with Food and Water Watch, and David McMahon of Neighbors Opposing Privatization Effort during a rally opposing the privatization of the Bucks County sewer system held outside the courthouse in Doylestown on Sept. 7. [Read](#)

Yes: Water companies aren't the villain they've been made out to be

By J. Andrew Sharkey

As local government officials, we're tasked with determining what's in the best interest of our community, including how to manage existing assets and limited resources.

In Cheltenham, we faced an aging, critical infrastructure with estimated repair and replacement costs that translated into millions of dollars and included a need for widespread lateral line replacements, which connect a home's sewer to the main lines. Lateral line replacements are costly and often the homeowner's responsibility. Meanwhile, water quality and environmental standards were becoming more rigorous — and expensive. As the price tag of owning and maintaining water and wastewater systems continued to grow, we recognized that our local community eventually would have to absorb these costs.

Weighing the options, the township [decided to sell our wastewater system to Aqua in 2019](#) for more than \$50 million.

The decision provided our families and neighbors with safe, dependable service while [spreading the system maintenance costs over a wider customer base](#).

I know that the idea of selling public utilities to private companies makes people nervous. But critics who use scare tactics to portray water companies as faceless entities, trolling the streets of Pennsylvania to suck the lifeblood out of our towns, are disingenuous at best. In fact, our experience was quite the opposite.

These water company professionals are hardworking men and women who have dedicated their lives to ensuring that their communities have safe and reliable water.

U.S. Environmental Protection Agency data show that water provided by water companies is [less likely to have health-related violations of the Safe Drinking Water Act](#) than water provided by government-run systems. An analysis by the National Association of Water Companies found that Pennsylvania's water companies are over 37% less likely to have a health-based violation than their municipal counterparts.

According to Aqua, after investing \$2.2 million in the first two years of operating the system, the company reduced sanitary sewer overflows in Cheltenham by nearly 50%.

Anti-privatization critics often focus on how rates can rise after a company takes over, but sound investment leads to safer water. Once community leaders come to the tough conclusion that it's no longer financially possible to make the needed infrastructure investments to a system that's suffered from years of underinvestment and neglect, selling it becomes a viable alternative.

"Sound investment leads to safer water." - *J. Andrew Sharkey*

Yes, when a private water company starts the necessary updates and improvements, water rates may go up. The alternative is to continue paying artificially low rates for water that may become unsafe to drink, or for a system that discharges wastewater into our environment.

Advocates who oppose the sale of government-run systems ignore that municipalities choose to sell their water systems for very real, compelling reasons such as ensuring necessary upgrades are made or to free up funds for other budget priorities like pensions and roads.

Hasty generalizations to try to make the case against water system privatization can be shakily grounded in out-of-state examples. Often these examples have unique circumstances and by no means provide a representative sample of the overwhelmingly positive experience communities such as ours have when our water and wastewater systems are operated by professionals.

The list of benefits of working with a water company goes on and on, including safer workplaces for employees [based on rates of injury and illness](#), higher than average customer service records, [according to consumer research firm J.D. Power](#), and increased transparency and customer protections [as a result of oversight by independent state regulators](#).

Privatization of our water supply isn't as scary as it's been made out to be. As Cheltenham shows, utility privatization can create a system that's better, safer, and frees a township to address other priorities.

J. Andrew Sharkey served as a Cheltenham Township commissioner from 2008-2019.

Published

Sept. 23, 2022