



# Double trouble: Veolia, Suez, and the risks of water privatization

PHOTO CREDIT: Imani on Unsplash

## PUBLIC WATER WORKS

For more than two centuries, democratically controlled public water systems across the United States have been fundamental to meeting people's most basic needs, improving public health, and providing economic opportunity for all. In fact, the U.S. Conference of Mayors has reported that every dollar invested in water and sewer systems reaps over \$6 in the long term for the economy at large.<sup>1</sup> As federal investment in our water systems has declined precipitously, corporations like Veolia and Suez have marketed water privatization, including in the form of "public-private partnerships" (PPPs), as a solution to cities' water woes. But case after case shows that privatizing public water is risky business for mayors, city governments, and residents.

## WATER PRIVATIZATION: A RAW DEAL

Water privatization in the form of PPPs has led to:

- Significant rate hikes.
- Labor cuts and abuses.
- Serious health and safety violations.
- Dangerous cost cutting that puts public health in jeopardy.
- Failure to invest in necessary infrastructure upgrades.

And the private water industry's disastrous track record in cities like Flint, Michigan; Pittsburgh, Pennsylvania; and Plymouth, Massachusetts has generated widespread public opposition to water privatization contracts across the U.S.

**"Some people may be  
sensitive to any water"**

—Veolia to city of Flint, February 2015<sup>2</sup>

## CASE STUDIES: VEOLIA

### FLINT, MICHIGAN

In February 2015, at the height of the Flint lead crisis, the city hired Veolia to address drinking water quality.<sup>3</sup> Veolia declared Flint's water safe, failed to warn the city of possible lead contamination, and even recommended a chemical change that the state alleges made the crisis worsen.<sup>4</sup> Michigan Attorney General Bill Schuette has launched a lawsuit alleging professional negligence and fraud,<sup>5</sup> accusing Veolia of "callously and fraudulently" dismissing medical concerns.<sup>6</sup>

### PITTSBURGH, PENNSYLVANIA

Following management contracts with Veolia, Pittsburgh suffered its own lead crisis that continues to endanger city residents. Under Veolia's management of the Pittsburgh Water and Sewer Authority, the corrosion control chemical used to prevent lead contamination was switched to a cheaper alternative without the required approval, violating state regulations.<sup>7</sup>

Following the switch, lead levels exceeded Environmental Protection Agency limits for the first time in the authority's history.<sup>8</sup> Veolia walked away with over \$11 million.<sup>9</sup> Meanwhile, local officials must find hundreds of millions of dollars to replace pipes leaching lead.

### PLYMOUTH, MASSACHUSETTS

Under Veolia's operation of the city's wastewater system, 10 million gallons of raw sewage flooded Plymouth between December 2015 and January 2016, spurring a lawsuit by the state. In April 2018, Massachusetts Attorney General Maura Healey announced that Veolia will pay a \$1.6 million settlement.<sup>10</sup>

## CASE STUDIES: SUEZ

### BAYONNE, NEW JERSEY

In Bayonne, a PPP deal involving Suez and private equity firm KKR has left residents with skyrocketing rates. The \$150 million upfront payment the city received has come at a very high price to ratepayers who are not only paying back that massive sum, but also paying the added cost of investment returns the private sector demands. Some residents struggling to pay their water bills—with rates already increased by nearly 28 percent—have even had liens placed on their homes that could lead to foreclosure.<sup>11</sup>

It's no surprise that this contract model, which Suez is widely marketing, was the subject of a scathing New York Times investigation.

### ROCKLAND COUNTY, NEW YORK

In Rockland County, Suez has come under fire over serious concerns about the quality of water service and conservation.<sup>12</sup> Suez even sought to boost profits through its attempt to build an unwanted desalination plant. Although the plant was deemed unnecessary and never built, Suez is trying to recoup tens of millions of dollars in alleged pre-construction costs by charging ratepayers across the region.<sup>13</sup>

## ENDNOTES

<sup>1</sup>Richard A. Krop, Charles Hernick, and Christopher Frantz, "Local Government Investment in Municipal Water and Sewer Infrastructure: Adding Value to the National Economy" (Washington, DC: The U.S. Conference of Mayors, August 14, 2008), 10.

<sup>2</sup>Interim Water Quality Report" (Veolia, February 18, 2015), 21, [http://www.greatlakeslaw.org/Flint/Veolia\\_2015\\_Interim\\_Report.pdf](http://www.greatlakeslaw.org/Flint/Veolia_2015_Interim_Report.pdf).

<sup>3</sup>Resolution to Veolia Water for Water Quality Consultant" (Office of the Emergency Manager Gerald Ambrose, February 4, 2015), [http://www.greatlakeslaw.org/Flint/Veolia\\_Flint\\_Contract.pdf](http://www.greatlakeslaw.org/Flint/Veolia_Flint_Contract.pdf).

<sup>4</sup>"Water Quality Report" (Veolia North America, March 12, 2015), [http://www.greatlakeslaw.org/Flint/Veolia\\_2015\\_Report.pdf](http://www.greatlakeslaw.org/Flint/Veolia_2015_Report.pdf); Attorney General Bill Schuette et al., "Complaint for Damages and Demand for Jury Trial" (State of Michigan Circuit Court of the County of Genesee), 22-23, [https://www.michigan.gov/documents/ag/Veolia\\_LAN\\_Complaint\\_539723\\_7.pdf](https://www.michigan.gov/documents/ag/Veolia_LAN_Complaint_539723_7.pdf).

<sup>5</sup>Attorney General Bill Schuette et al., "Complaint for Damages and Demand for Jury Trial."

<sup>6</sup>Merrit Kennedy, "They Made It Worse: Michigan Sues 2 Companies Over Flint Crisis," NPR, June 22, 2016, <https://www.npr.org/sections/thetwo-way/2016/06/22/483083095/they-made-it-worse-michigan-files-suit-against-2-companies-over-flint-crisis>.

<sup>7</sup>Michael E. Lamb et al., "Performance Audit: Pittsburgh Water and Sewer Authority" (Pittsburgh, Pennsylvania: Office of City Controller, June 2017), 60–61, [http://apps.pittsburghpa.gov/co/Pittsburgh\\_Water\\_and\\_Sewer\\_Authority\\_June\\_2017.pdf](http://apps.pittsburghpa.gov/co/Pittsburgh_Water_and_Sewer_Authority_June_2017.pdf).

<sup>8</sup>"PWSA 2016 Lead Test Results," Pittsburgh Water and Sewer Authority, July 22, 2016, <http://www.pgh2o.com/release?id=6278>; "Actions Related to Pittsburgh Water and Sewer Authority" (Pennsylvania Department of Environmental Protection, April 25, 2016), 6, <http://files.dep.state.pa.us/RegionalResources/SWRO/SWROPortalFiles/PWSA/DEP%20Cites%20PWSA%20Webinar%2004252016%201200.pdf>.

<sup>9</sup>Michael E. Lamb et al., "Performance Audit: Pittsburgh Water and Sewer Authority," 11.

<sup>10</sup>Office of Attorney General Maura Healey and Massachusetts Department of Environmental Protection, "Veolia to Pay \$1.6 Million for Massive Sewage Spills, Discharges Causing Shellfish Bed Closures in Plymouth Harbor," Mass.gov, April 10, 2018, <https://www.mass.gov/news/veolia-to-pay-16-million-for-massive-sewage-spills-discharges-causing-shellfish-bed-closures>.

<sup>11</sup>Danielle Ivory, Ben Prottess, and Griff Palmer, "In American Towns, Private Profits From Public Works," The New York Times, December 24, 2016, <http://www.nytimes.com/2016/12/24/business/dealbook/private-equity-water.html>.

<sup>12</sup>Robert Brum, "Expert: United Water System, and Its Books, Leak Badly," The Journal News, June 30, 2015, <https://www.lohud.com/story/news/local/rockland/2015/06/30/report-united-water-system-books-leak-badly/29530933/>.

<sup>13</sup>Steve Lieberman and Robert Brum, "Rockland County Sues State, Suez over Desalination Costs," The Journal News, June 27, 2016, <https://www.lohud.com/story/news/local/rockland/2016/06/27/rockland-sues-suez/86347974/>.

<sup>14</sup>Office of Attorney General Maura Healey and Massachusetts Department of Environmental Protection.

**"By failing to properly maintain and operate wastewater treatment facilities, companies like Veolia are not only violating the law, they are threatening public health and our invaluable coastal water resources."**

**—Massachusetts Attorney General Maura Healey on Veolia in Plymouth.<sup>14</sup>**

## RECOMMENDATIONS

These examples, and countless others, make abundantly clear that public-private partnerships do not solve water infrastructure problems—they exacerbate them.

Rather than turning to the private water industry to solve water system challenges, elected officials should implement solutions that maintain strong public water systems that are accountable to people and focused on equitable, affordable water service for all.

For resources on public solutions, taking back control of privatized water systems, and the private water industry please contact Corporate Accountability.