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Fact Sheet

Top 10: Why Water Privatization Fails

With two-thirds of the world's population expected to run short of fresh drinking water by 2025, water has come to be known as "the oil of the 21st century." Multinational corporations are parlaying the misery of our water-starved regions into profits for their stockholders and executives. And, when cash-strapped communities are unable to make necessary water upgrades, private companies persuade them to sell off their public water systems. But time and time again, these privatization schemes have failed. Here are 10 reasons why.

Rates Increase

From Lexington, Kentucky, to Felton, California, and Cochabamba, Bolivia, to Manila, Philippines, corporations have consistently raised customers' rates after taking control of public systems – often making water unaffordable to the poor.

Water Quality Suffers

The private water industry intensively lobbies government regulators to block higher water-quality standards – which corporations view as costly nuisances.

Customer Service Declines

Customer service is often slashed when private corporations take over. Since German conglomerate RWE bought their system, run by American Water, residents of Felton, California, complain it can take months for service calls to be answered.

Profits Leave Communities

Corporations are free to funnel profits out of communities and into the pockets of distant shareholders and corporate executives, instead of reinvesting money into the water system.

Corruption Breeds, Accountability Diminishes

Privatization lacks the transparency on which our democracy depends. Several corruptions scandals have erupted from water privatization deals that enticed publicly elected officials. Joseph P. Ganim, the mayor of Bridgeport, Conn., was sentenced to nine years in prison in 2003 following a bribery scandal involving a private wastewater operator. Corporations are ultimately accountable to their shareholders, not their customers. They often win exclusive, long-term contracts. And they have a monopoly over information, holding private meetings.

Financing Costs More

Unlike public financing, corporate loans have higher interest rates and are not tax-free, which force customers to pay more for repairs, upgrades and other maintenance.

Jobs are Lost

Corporations often cut costs in benefits, such as healthcare, retirement benefits massive layoffs. Understaffing jeopardizes customer service and water quality. French conglomerate Veolia bought out experienced workers after taking over Indianapolis' water system in 2002.

The Poor Lose Access

Water privatization is often a condition for poor countries to receive loans from the World Bank and International Monetary Fund. In Argentina, Bolivia and elsewhere, lucrative corporate contracts have led to higher rates for those lucky enough to still have piped water, while excluding - "red-lining" - neighborhoods with no service.

Water Can be Exported in Bulk or Bottled

Transporting water from water-rich countries to water-poor countries, or bottling water for richer consumers, can create huge profits for corporations but carry disastrous consequences – such as over-extracting aquifers that can never be restored.

Reversal is Difficult

Once a government agency privatizes its water system, withdrawing from the deal borders on the impossible. Proving breach of contract is complicated and costly. In Argentina, the Philippines, Tanzania and elsewhere, water multinationals sued for millions of dollars when contract termination was threatened. This could happen anywhere.

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