

a report by

Public Citizen

Biwater

A Corporate Profile



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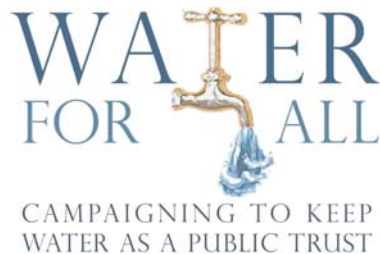
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Public Citizen, founded in 1971, is a non-profit research, lobbying and litigation organization based in Washington, D.C. Public Citizen advocates for consumer protection and for government and corporate accountability, and is supported by over 150,000 members throughout the United States.

Biwater - A Corporate profile

Biwater Plc is a British water and wastewater company that has been cashing in on Britain's water privatization scheme since it began in 1989. Biwater also has operations in 27 other countries worldwide.ⁱ

Most recently, Biwater secured a 10-year lease to operate the water utility in Dar es Salaam, the commercial capital of Tanzania. Under the conditions of the lease, the Tanzanian government and Tanzanian people are getting saddled with loans totaling \$145 million to finance infrastructure improvements of the system, \$47 million from the African Development Bank and \$98 million from the World Bank, while Biwater is only putting up \$6.5 million to cover meters and standpipes.ⁱⁱ With the public taking on an a huge debt burden to pour money into a system that Biwater will then do its best—or worst—to profit from, it is telling that Biwater is deigning to spend its own money on the components used to prepare water bills.

Biwater likes to say "Water is our business, PURE and simple,"ⁱⁱⁱ so it stands to reason that the company doesn't think that water is free. The company doesn't sport any similarly pithy mottos about being in the speech or air business. But Biwater doesn't think speech and air are free, either.

Charging for air in South Africa

Since Biwater was awarded a 30-year water concession in Nelspruit, South Africa, in 1999, the community has complained repeatedly of rising prices and poor service.

The privatization of water in Nelspruit was initially proposed in 1997, but the South African Municipal Workers Union (SAMWU) suc-

cessfully challenged the bid and stalled the process for almost two years. A compromise was reached in 1998, with the South African government, led by the African National Congress (ANC), planning to assess the possibility of a public alternative. That never happened. Instead the concession was awarded to the Greater Nelspruit Utility Company (GNUC)—a joint venture between Biwater and a black empowerment group, Sivukile.

The main argument used for the concession was the need to attract private finance. The ANC wanted to depend less on international loans in a period of currency fluctuations. South African municipalities have a limited ability to make large infrastructure investments and are thereby indirectly encouraged to look for international solutions. But Biwater had great difficulty in raising the money and has depended on finance from the public sector. In July 2000, nearly two-thirds of the total finance (R195m) for the project was finally obtained in the form of a R125m loan from the state-owned Development Bank of South Africa (DBSA).^{iv}

GNUC has been criticized for not increasing access to water. But while access hasn't been greatly increased, rates have. The concession has nearly tripled service fees and been quick to cut off service for those who can't afford to pay. The price hikes, and persistent complaints that Biwater is failing to provide service to poor areas in particular, have prompted consumers to boycott paying their increasingly skyrocketing water bills.^v



Biwater officials have confessed that expanded access is being hampered by a lack of income and a credit crunch. But at Biwater, water is a business (PURE and simple!). As a Biwater senior manager helpfully explained, “What is the point of pumping money in while we are not sure of cost recovery?”^{vi}

Even in those areas where water service is available, it can be on a limited basis only, with water service provided only intermittently and sporadically. The metering system charges people for water even when the water isn’t there, however, with the result that customers have to pay for up to 90 minutes of “air time” while they wait for water to come out of the tap once it’s been turned on.^{vii}

SAMWU, along with British trade union organizers and the anti-poverty group War on Want detailed the “air time” problem in anticipation of an investigation last year. In some townships, Biwater was switching water on only for three hours a day or less—and for a good portion of that time, taps were on but no water came out. “Yet during this period, household meters run, so it seems that people are being charged for air,” SAMWU observed.^{viii}

Among other problems identifies by SAMWU:^{ix}

- * People cannot use their toilets at night because the water is switched off.
- * When communities report broken water pipes, it takes Biwater more than four days to repair them.
- Water bills are grossly inflated and inaccurate. White areas in Nelspruit are getting much cheaper water than the townships.
- * There has been an increase in disconnections.
- * Disconnections are being performed illegally with no notices to households prior to disconnection.
- * Communities are not getting the 6000 litres of free water they are entitled to.

Arming and strong-arming

In 1998, before Biwater won the Nelspruit concession, the company was out to snuff public debate and censor any information which might cast the company in a less than glowing light. Attorneys acting on Biwater’s behalf warned a British internet service provider that unless a SAMWU press release was removed, the ISP would face legal action. The attorneys claimed that the release made allegations that had already been the subject of legal action by Biwater, resulting in a pair of British newspapers paying damages and issuing apologies.^x

The SAMWU release, however, referred not to those stories, but to an April 11, 1997 story published in a South African newspaper, the *Mail and Guardian*, “Thatcher’s pals bid for SA water.” That story’s lead:

A BRITISH firm linked to a secret clique which ran the United Kingdom’s Conservative Party’s controversial aid-for-trade programme in the Third World is at the centre of a growing row between organised labour and the government over plans to privatise municipal water services in Nelspruit.^{xi}

The piece went on to describe Biwater’s role in the Thatcher-era “Aid and Trade Provision Programme,” reporting that “Biwater was among five companies which accounted for almost 43% of the ATP budget between 1978 and 1992. Its contracts included projects in Malaysia, Sri Lanka and Thailand—some linked to efforts by the British government to sell advanced defence equipment to these countries.”

The unseemly linkage of aid and arms purchases, which came to a head with Pergau Dam scandal in Thailand, involved public funds

that were earmarked for development, but that appeared to be used as “sweeteners” to encourage foreign countries to turn around and buy British arms.^{xii} Biwater, as one of the leading beneficiaries of the Aid and Trade program,^{xiii} was highlighted time and again in press reports surrounding the scandal at the time.^{xiv}

Under threats from Biwater’s attorneys, the *Mail and Guardian* had the story removed from its Internet archives. But the Association for Progressive Communications, along with trade union organizations literally around the globe, took the article and posted it at several “mirror” internet sites.^{xv}

Then the international trade union federation Public Services International took a leading role, condemning Biwater not only for trying to eradicate from the face of the earth the SAMWU release and an old news story, but also for making an outlandish threat in response to a television program aired by South African Broadcasting Corp. that included information critical of Biwater.^{xvi} Biwater’s statement, obtained by PSI, was as follows: “Until an apology and corrections are issued by SABC3, parent company Biwater plc in the UK has indicated its intention to withholdwithhold its R200million investment in the proposed pipe factory in Brakpan, Johannesburg, which was to have created jobs for several thousand local people.”

It was an incredibly blunt and callous effort at manipulating public discourse through policy blackmail—and a successful one, too, inasmuch as SABC ultimately aired a lengthy apology.^{xvii}

21st Century colonialism

Biwater’s heavy-handed penchant for censorship, however, had earned heightened

interest from PSI’s Research Unit, which issued a report detailing several instances of Biwater’s poor performance, including:

While trying to win the Nelspruit concession, Biwater made the “seriously misleading” claim that it was one of the world’s largest water companies, when it’s not.

OFWAT, the UK regulator of water had rated Bournemouth Water in it’s lowest category for customer service

A World Bank report noted ‘operational, financial, and political difficulties’ with Biwater’s sewerage concession in Puerto Vallarta, Mexico. Biwater’s operations in Malaysia and Nigeria have been the subject of disputes over satisfactory completion.

And, of course, Biwater has relied heavily on support from British governments in winning contracts, and was a major beneficiary of trade-for-aid deals in the past.^{xviii}

Since issuing that report in 1998, PSIRU, SAMWU and others have exposed additional examples of citizens around the world getting shortchanged and overcharged thanks to the fact that at Biwater, “water is our business, PURE and simple.”

After taking over the water contract at Subic Bay in the Phillippines in 1997, a joint venture between Biwater and the construction giant D.M. Consunji Inc. has raised water rates seven times. The rate hikes have been met with protests, which in turn have been met with threats from Biwater that service will be disconnected if customers don’t dummy up and pay. The concession agreement is now under review by the Department of Trade and Industry.^{xix}

Biwater pulled out of a water project in Zimbabwe in 1999 because the project



wasn't making enough money. "Investors need to be convinced that they will get reasonable returns," a Biwater executive helpfully explained to the *Zimbabwe Independent*. "The issues we consider include who the end users are and whether they are able to afford the water tariffs. From a social point of view, these kinds of projects are viable but unfortunately from a private sector point of view they are not."^{xx}

After initially winning a contract to operate a water supply scheme for Bangalore, India, Biwater was essentially thrown out of the project in 2001.^{xxi} Not only did the government determine that Biwater was planning to charge way too much for water, but allegations of financial irregularities were leveled in connection with the project and local officials were demanding investigations.^{xxii}

Biwater sold a pipe-making plant in Derbyshire in 2000 to an affiliate of Saint Gobain, a French company, with the result that 700 employees were thrown out of work—even though the plant had had full orders for pipes to keep the workers employed. MP Harry Barnes unloaded on the regulators and the French company, denouncing the deal as a naked attempt by a company to eliminate pesky competition—with Biwater's full complicity and awareness. Biwater chief Adrian White "was obviously involved in a very dubious deal," Barnes said, "as the short control of the lease meant that Saint Gobain would have had to get out in any case."^{xxiii}

In 1999, a year after winning a water service contract and promising construction of a plant in Panama, the only thing Biwater was working on was changing the terms of the contract to score an additional \$15 million. Though 70 percent of the project was to have been finished by the end of 1999, Biwater hadn't even started on it as of July of that year. The company got the contract changed to its

liking, and also won an extension on its deadline for completing the plant.^{xxiv}

Biwater's private water company in the United Kingdom, Bournemouth Water, was mandated to begin construction on a new disinfectant plant by January 1997, to be completed by March 1999. In April 1997, nothing had happened, and the UK Drinking Water Inspectorate served an order on the company. "We served the Order when it was clear that the Company had not commenced construction of the new plant by 31 January 1997 as required by the legal undertaking it had given," Chief Inspector Michael Rouse said in a statement. "While regretting the need to make the Order, I believe it was necessary to prevent further breaches in water quality standards, and to protect the public drinking the water in the local area." Biwater finally complied with the order nearly two years later.^{xxv}

In 2000, Biwater formed Cascal, a joint venture NUON, a Dutch publicly owned water company that invested \$130 million in Biwater. "*It is abundantly clear that you are not aware of Biwater's track record and the suffering they have caused to millions of people around the world,*" SAMWU wrote in a letter to NUON urging them to divest. "*For NUON to be investing public money in a company which specialises in contested and clearly risky privatisation ventures all over the developing world is nothing less than colonialism of the 21st century.*"

No matter where Biwater goes, the pattern seems to be the same. Governments and regulators are circumvented or cave to the corporation's wishes, often amid charges of corruption. Governments and the public are saddled with infrastructure investments, while Biwater gets the opportunity to reap the profits. Promises go unfulfilled, as projects don't get built, access doesn't get expanded, service does not improve and people go without water. Dissent is squelched. Critics are threat-

ened. Customers are gouged. Public health is put at risk.

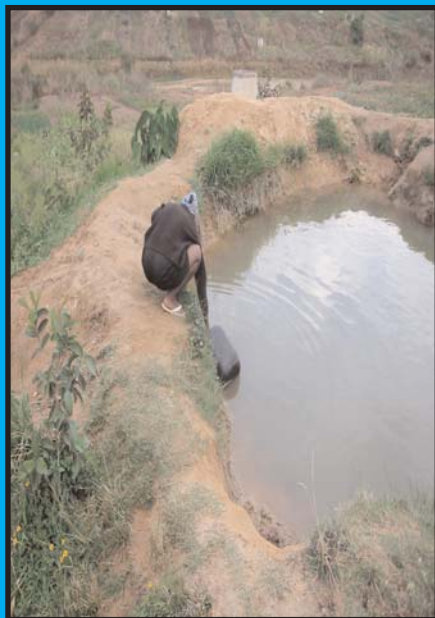
And with arrogance on icy display, Biwater invariably dismisses each and every complaint with the offensive and smugly delivered suggestion that everything would be just fine if governments and citizens, no matter how cash-strapped, debt-mired or poverty-ridden, would simply give Biwater more money.

Understandably, people tend to view water as a shared common resource, a human right and a necessity of life that should be managed to serve the public interest and not a corporation's thirst for profit. So citizens around the world are justifiably disgusted and appalled at Biwater's behavior. But they should not be surprised. Shared resource, human right—such terms have little meaning to Biwater and in fact conflict with Biwater's purpose. After all, Biwater's motto is not “water is our shared resource” or “water is our human right.” At Biwater, as the company so proudly attests, “water is our business.” And the goal of that business is not to provide safe, clean and affordable water to homes and families, but to make as much money as possible. It's that “pure and simple.”



Notes

- ⁱ Algeria, Belize, Bulgaria, Chile, Costa Rica, Dominican Republic, France, Germany, Ghana, Guadeloupe, Guatemala, Hong Kong, India, Indonesia, Kazakhstan, Malaysia, Mexico, Nigeria, Panama, Poland, South Africa, Singapore, Sri Lanka, Trinidad, U.S., Venezuela, Vietnam. www.biwater.com/about/structure/htm
- ⁱⁱ “Dubious Tanzanian water privatization increases debt,” *afrol News*, June 1, 2002. afrol.com/ms_index.htm
- ⁱⁱⁱ www.biwater.com
- ^{iv} See list of private sector projects supported by DBSA at www.dbsa.org/PrivateSector/PrivateMain.htm.
- ^v Nick Mathiason, “Turning off the tap for poor,” *The Observer*, Aug. 18, 2002.
- ^{vi} Simon Zwane, “Move to rescue privatized water,” (South Africa) *Sunday Times*, Dec. 2, 2001.
- ^{vii} Mathiason.
- ^{viii} “Nelspruit communities forces to pay for air? British trade unions to investigate,” SAMWU press statement, Jan. 11, 2002.
- ^{ix} Ibid.
- ^x Chris Bailey, “Internet Censorship Case Study: Biwater plc,” Association for Progressive Communications European Internet Rights Project, November, 2000.
- ^{xi} Eddie Koch and Sharon Hammond, “Thatcher’s pals bid for SA Water,” (South Africa) *Weekly Mail and Guardian*, April 11, 1997.
- ^{xii} “Small Arms, Wrong Hands,” Oxfam GB Policy Paper, April 1998.
- ^{xiii} Hansard (House of Commons Daily Debates), March 11, 1996.
- ^{xiv} Articles on the scandal, many of them mentioning Biwater, from *the Sunday Times*, the *Observer*, the *Financial Times*, the *Economist* and other publications are cited at Greg Dropkin, “British Transnational Biwater: Aid...Arms...Gags,” Labournet, April 25, 1998. <http://www.labournet.org/biwater/biwater.html>
- ^{xv} Bailey.
- ^{xvi} Public Service International press release on Biwater, May 17, 1998.
- ^{xvii} David Hall, “Secret Reports and Public Concerns, A reply to the USAID paper on water privatization ‘skeptics’,” Public Service International, Aug. 7, 2002.
- ^{xviii} Public Service International Privatization Research Unit report, May 17, 1998.
- ^{xix} Gil C. Cabacungan Jr. “DTI to intervene in Subic water concession issue,” *Inquirer News Service*, Oct. 18, 2002.
- ^{xx} *Zimbabwe Independent*, Dec. 10, 1999, quoted in David Hall, “Water in Public Hands,” Public Services International Research Unit, University of Greenwich, June 2001.
- ^{xxi} “BWSSB ‘dumps’ Biwater, to go it alone,” *The Hindu*, Oct. 21, 2001.
- ^{xxii} “Rs. 1000 cr financial irregularities alleged in Biwater deal,” *Deccan Herald*, March 16, 1999; cited in PSIRU corruption info database.
- ^{xxiii} Kirsty Buchanan, “MP blames ‘guilty men’ for lost jobs,” *Derby Evening Telegraph*, July 12, 2000; cited in PSIRU corruption info database.
- ^{xxiv} *Business News Americas*, March 13, 2000; cited in PSIRU corruption info database.
- ^{xxv} United Kingdom government press release, Jan 19, 1999; cited in PSIRU corruption info database.



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