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Public-public partnerships

The sparkling alternative to water privatization

Many cities have come to the conclusion that their vital water and wastewater services could be operated more efficiently. Private companies offer themselves as the solution. But private companies hired to run municipal water and wastewater systems haven't posted a very good record, and communities are wisely viewing privatization with increased skepticism.

Fortunately, a better alternative is out there. A number of cities across the country have reorganized the operation and management of their water and/or wastewater systems under continued local, public control. "Reengineering," as it's often called, has saved money, rewarded employees, maintained or improved water quality, and kept money in the community.

- In Phoenix, the five-year goal was to save \$60 million. Instead, the city saved \$77 million. Originally applied to plants, the city's restructuring program will now be extended to management services.

- In the first two years after implementing its reengineering program, San Diego saved \$37 million, nearly doubling the targeted savings amount. The city is now preparing to expand the program to other departments and divisions in city government.

- Amid talk of government failure and with private contractors looming, the Miami-Dade Water and Sewer Department established a reengineering program and reduced expenditures by \$52 million.

- King County (Washington) saved \$2.8 million in 2001, the first year of its plan. The Seattle area program is expected to save nearly \$70 million over ten years.

Public reforms don't just save money. They save it faster, and they keep the savings in the community.

- Reengineering can be implemented in a matter of months. Privatization can take years and cost millions while uncertainty paralyzes the public system and hammers employee morale.

- If a private company saves more money than what it's promised—often a result of cutting corners—that money goes to the private company in the form of profit. But under reengineering, savings are used to reward employees for innovations, lower rates, help fund capital improvements or otherwise benefit the system and ratepayers.