



Buyers Up • Congress Watch • Critical Mass • Global Trade Watch • Health Research Group • Litigation Group
Joan Claybrook, President

June 13, 2005

Dear Mayor,

The U.S. Conference of Mayors and its staff are to be lauded for their work addressing many problems that trouble municipal leaders and the citizens they serve.

Unfortunately, policies supported by the organization with regard to water and wastewater infrastructure may not be as grounded in the public interest as other USCM priorities. Specifically, USCM's position on water and wastewater funding, as delivered to Congress, regulatory officials and the public, is shaped by the Conference's Urban Water Council task force. The Urban Water Council, in turn, is heavily influenced by private water companies like Veolia Water, which sponsors the "meet the mayors" feature on USCM's website at www.usmayors.org and is the only corporation with a direct link from the USCM's homepage. The companies seek to convince you and your colleagues around the nation that water privatization—or "public-private partnerships," in the terminology preferred by the companies and the Urban Water Council—will solve the enormous infrastructure financing challenges that are facing so many communities.

Those private corporations, very often large international conglomerates, view federal financial assistance for water and wastewater infrastructure as a "subsidy" that gives cities an unfair competitive advantage over private water companies. They actually oppose increased federal funding for water and wastewater systems, in the hope that the more financially troubled a city's system, the more receptive city leaders will be to ceding control over that system to a private operator in a long-term monopoly contract or through an outright sale.

The companies' effort to influence the Urban Water Council and, by extension, the Conference of Mayors appears to be working: Growing coalitions of water and wastewater professional organizations, labor and public interest and environmental groups are building support for dedicated federal trust funds to finance water and wastewater infrastructure. The U.S. Conference of Mayors is not a part of that movement. While the USCM, through the Urban Water Council, has not opposed the creation of such trust funds, nor has it strongly advocated the idea to Congress. Instead, the Urban Water Council has used its opportunities testifying before congressional committees to tout the benefits of lifting the cap on private activity bonds as the means of addressing a national infrastructure spending gap that is estimated to total hundreds of billions of dollars through the end of the next decade.

Lifting the cap on private activity bonds, meanwhile, appears to be emerging as the top federal legislative priority of the private water companies, who for obvious reasons favor tax-free

financing for themselves over a national, publicly supported commitment to safe and clean water. The Urban Water Council acknowledges that lifting the cap will lead to more privatization of municipal water systems.

Privatization, however, poses more risk than hope. The enclosed report, *Waves of Regret: What some cities have learned and other cities should know about water privatization fiascos in the United States*, prepared by Public Citizen's Water for All Campaign compiles and details the pitfalls of privatization as experienced by jurisdictions throughout the U.S. and its territories, including not only better-known examples such as Atlanta, Stockton, New Orleans and Puerto Rico, but more than a dozen other cities big and small from coast to coast. The report also analyzes national privatization trends, developments and policies in the context of corporate strategies and track records.

We hope that this report will lead you and your fellow mayors to encourage the U.S. Conference of Mayors to put more distance between its positions on water infrastructure financing and the private water industry. We also hope that you and your colleagues will urge the USCM to strongly and energetically support the creation of federal water and wastewater trust funds. The U.S. Conference of Mayors is a well-respected and effective organization. Enthusiastic support from the USCM could do much to assure safe and clean water service in homes, businesses, schools and hospitals nationwide.

Sincerely,

Wenonah Hauter
Director, Water for All Campaign
Public Citizen