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{N.G.O U.N buying up American Water}

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Water will be to the 21st century what oil was to the last — vast fortunes will be made by controlling it and nations will go to war to preserve access to it.

In a world in which fresh water is increasingly scarce, that axiom is being taken to heart in the boardrooms of some of the globe's most powerful corporations. In nearly every corner of the planet, international water conglomerates are vying to sign operating contracts, make deals, buy rights and acquire local water supply and treatment companies. It's a worldwide water rush.

Given that less than 1 percent of the Earth's water is drinkable, the corporate betting is that the price of water can only go up. After all, fresh water is a finite resource for which there is no substitute.

Estimates of the value of the annual global market for water range from $300 billion to $800 billion. Already, an estimated 300 million to 400 million people receive water through privately owned or operated water companies.

And the biggest, most underexploited water market on Earth is the United States, with estimated annual revenues of $90 billion. About 86 percent of the municipal water in the U.S. is delivered by public utilities, while only 13 percent is delivered by private companies. But water companies are swiftly expanding their foothold in the U.S. through operations and maintenance contracts for water delivery and wastewater treatment services or by assuming temporary or permanent ownership of water utilities.

By comparison, 85 percent of French customers get their water through privately owned or operated water utilities. In the United Kingdom, nearly all water services have been privatized for more than a decade.

The two biggest global water companies are French - Vivendi Environment and Suez Lyonnaise des Eaux, with more than 100 million customers each. Over the past three years, both companies have made a major push to establish themselves in the U.S. market by acquiring American water companies.

In 1999, Vivendi purchased U.S. Filter Corp. for $6 billion in cash. The same year, Suez — which built the Suez Canal in the 1860s — paid $1 billion for United Water Resources and bought two major U.S. water treatment chemical producers, Nalco and Calgon, for $4.5 billion.

The largest private water supplier in the U.S. is the giant German utility RWE, with 14 million customers. In September, RWE announced its purchase of American Water Works, headquartered in Voorhees, N.J., in a $7.6 billion deal. American, which itself had been gobbling up smaller water companies, was the largest publicly traded U.S. water company, supplying water and wastewater service to 1,400 communities in 23 states. RWE now has more than 50 million customers worldwide.

The only U.S. company that has been a major player in the global water market is Enron, the Houston-based energy trading company. Since filing for Chapter 11 bankruptcy in October, Enron has been trying to sell its water subsidiary, Azurix, in an effort to raise cash. One of the companies that have expressed interest in buying Azurix is RWE.

Private water companies contend they can provide water services more cheaply and efficiently than governments or public utilities. Their services will be essential, the industry argues, if the world hopes to stave off the impending global freh-water crisis that's forecast to occur as water-scarce regions scramble to find new supplies to quench their growing populations.

Presently, at least 50 percent of municipal water is wasted through leakage in developing nations, according to the World Bank. In the Philippine capital of Manila, for example, 57 percent of municipal water is lost to theft and leakage. More than two-thirds of irrigation water never reaches crops in the Third World because of inefficiencies. The World Health Organization estimates that more than 1 billion people currently do not have access to clean water.

In the United States, many cities are faced with modernizing an aging water infrastructure of pipes and pumps that dates back to the early and mid–20th century. New York City's leaky Delaware Aqueduct has been losing as much as 1 billion gallons a month.

At the same time, water utilities are being asked to meet tighter environmental regulations to protect water quality. The cost to repair, replace and improve the nation's water infrastructure is estimated at nearly $1 trillion over the next 20 years, creating a looming economic crisis for many cities.

Over the past few years, dozens of cities ranging from Atlanta to Indianapolis to Jersey City have signed long–term contracts with large water companies to operate and maintain their water services or even to assume ownership of local water utilities on a temporary but long-term basis.

One of the attractions of privatizing water services is that private companies are often willing to make tough decisions that elected officials would rather forgo, such as raising water rates or cutting workforces.

"There is a price to be paid for clean, safe water,'' said Kathy Shandling, vice president of International Private Water Association, an industry trade group. "This is going on in this country now, where people who are suddenly getting water bills who didn't get them before are saying, 'Water is an act of God. I shouldn't have to pay for it.' "

At a March 1998 conference in Paris, the United Nations' Economic and Social Council Commission on Sustainable Development proposed that governments turn to "large multinational companies'' for capital and expertise and called for an "open market'' in water rights and an enlarged role for the private sector.

But some environmentalists and labor and human rights advocates sharply question the wisdom of giving multinational corporations control over a critical resource. They doubt that private companies will ensure that water is affordable for the poor, that water quality is protected and that enough water is left behind for the environment. Access to clean fresh water should be treated as a human right, they argue, rather than a commodity bought by the highest bidder.

Other environmentalists, despairing that governments are up to the challenge of dealing with water scarcity, are taking a middle-ground approach.

"We do not think the trend toward globalization and privatization of fresh water can be stopped, nor do we think it has to be,'' global water expert Peter Gleick writes in a report on privatization to be released next month by the Pacific Institute for Studies in Development, Environment and Security, located in Oakland, Calif.

"In some places and in some circumstances, letting private companies take responsibility for some aspects of water provision or management may help millions of poor receive access to basic water services,'' the report says. "However, there is little doubt that the headlong rush toward private markets has failed to address some of the most important issues and concerns about water. In particular, water has vital social, cultural and ecological roles to play that cannot be protected by purely market forces.''

There have been striking examples of private sector failures. When Cochabama, Bolivia, turned over its water system to a private consortium led by engineering giant Bechtel, water prices increased so dramatically that riots broke out. A 17–year–old boy was killed and thousands were injured in clashes with police. Water services were returned to public control.

After water was privatized in Puerto Rico in 1995, poor communities complained that they had no water while water giant Vivendi supplied tourist resorts and U.S. military bases with as much water as they could consume.

In Argentina, when the French company Generale de Eaux got a contract for water delivery, prices doubled and quality deteriorated. The company was forced to pull out when people refused to pay their bills.

"We think people ought to pay a fair price for a resource that is scarce and valuable,'' said Jane Kelley of the U.S. consumer group Public Citizen, "but we don't want to see them paying amounts that encourage significant profit margins and CEO salaries that are astronomical.''