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Leaky Propositions: The Ontario Watertight Report

Summary for OMECC 2006

In 2004 the Ontario Ministry of Public Infrastructure appointed an “expert panel” to think, consult, study and report back on ways of meeting the province’s infrastructure funding deficit in water and wastewater systems. Mr. Harry Swain chaired the panel. The panel’s report, presented to the Ontario government in 2005, is called “*Watertight: The case for change in Ontario’s water and wastewater sector*”.

CUPE’s response to the report, submitted jointly by CUPE National and the Ontario Division, was called “*Leaky Propositions: The Ontario Watertight Report*”.

Here we summarize the panel’s report to the Ontario Minister of Public Infrastructure Renewal and our response.

The Ontario government has not announced any implementation of the Expert Panel’s recommendations but some municipalities are becoming nervous.

In short

CUPE has several serious and fundamental objections to the findings, recommendations, and philosophical outlook of the Water Strategy Expert Panel as presented in their report “*Watertight: The Case for Change in Ontario’s Water and Wastewater Sector*”.

We find that the *Watertight* report is muddle-headed, patronizing, anti-democratic and fiscally irresponsible.

Ontario’s growing water infrastructure problems were largely caused by policies put in place by the previous government in Ontario. These include:

- Further downloading of responsibility for water and wastewater services to the municipalities while they were already being saddled with other responsibilities;
- Cuts to the operating budget of OCWA and the MOE during the late 1990s;
- An aging infrastructure, growing infrastructure demands and increasing regulatory standards not matched by increasing public investment in this crucial element of our infrastructure.

It is very disturbing that the *Watertight* report advocates even more of the very same policies that have put Ontario's water infrastructure into this precarious situation:

- More downloading of costs onto municipalities
- Greater privatization and corporatization of the publicly-owned infrastructure
- Heavy-handed interference with decision-making over public services.

The recommendations of the report are based on an unfounded ideological assumption that private business operation will always be more efficient than public operation. This is completely false, and particularly so in the case of public services.

Regional level corporations dominated by private sector boards

Watertight recommends that Ontario's water and wastewater systems be operated by new municipally-owned corporations and run on a business model, like EPCOR in Alberta. Two-thirds (2/3) of the directors of these corporations would be appointed from the private sector and the rest would represent municipal councils. Small units would be consolidated into regional or county level corporations, removing responsibility for water and wastewater from lower tier municipalities.

The Expert Panel makes several references to the Ontario Water Industry and frequently notes that the water industry in Ontario would be ready and able to step up to the plate to ensure that Ontario's water systems are maintained and operated to the highest standards. This is totally misleading in CUPE's view. Currently, there is almost no private water industry in operation in Ontario. The current systems are either operated directly by municipal employees directly employed by their respective municipal bodies or operated by OCWA personal on behalf of the municipalities. Systems operated without municipal or OCWA involvement are close to non-existent in Ontario. Ontario companies are unlikely to even benefit significantly from further moves to privatization and corporatization of our water services. It would seem that private consultants and employees of the six dominant giant multinational water companies would be given the job of running our water systems.

Giving water and wastewater systems to corporate boards run by unelected directors reduces accountability, transparency and democratic control over our water systems.

Contracting out and privatization posed as the answer

The Swain panel's recommendations are financially irresponsible.

Over and over, the report advocates "business planning", using a "business model" and having "business-oriented boards" and contracting out. Despite all this emphasis, the report never really explains why the proposed "business planning" is superior for water services than other types of planning that currently take place, nor does it examine alternatives.

A major argument of the report is that contracting out will allow water services to harness economies of scale and adopt innovative technologies. In particular, the report cites EPCOR's use of remote operation for water services and wastewater plants. It is troubling that the report

advocates this practice without assurances of human operator backup, particularly in light of recent water emergencies.

The report advocates for increased commercial borrowing instead of advocating for continued low cost sources of financing, such as through municipal borrowing or through OSIFA. Municipalities can borrow at lower interest rates than corporations can.

Watertight does not deal with the fact that if corporations to deliver water services they will be subject to the GST and other taxes not imposed on municipalities.

Additional financing and taxation costs (together with the higher costs associated with the proposed business planning, operation of the water Board and the higher costs of contracting out and administration through a corporate structure) would cause a very significant cost increase for customers.

Ontario Water Board to take over responsibility of municipalities and Ministry of Environment

Watertight proposes that a new provincial organization take over inspection and regulatory control for water and wastewater services, taking over functions now performed by the provincial and municipal governments under the control of elected representatives. Transferring these functions to an unelected body will reduce accountability, transparency and democratic control over regulation and inspection.

Regulation to be more flexible

Watertight promotes moving away from “prescriptive” regulation – telling people how to ensure that water is safe and wastewater safely treated – to a more flexible system of results-based regulation. Again, such a move would reduce the accountability, transparency and democratic control of regulation and increase the possibility of disasters like Walkerton and Kasetchewan.

Water rates to cover all costs

The Swain panel recommends that all water use be metered and that consumers have to cover the full costs of water and wastewater operations, without any subsidy from government. They take no account of the fact that water is a basic necessity of life and the model they are proposing will lead to huge increases in the price of water.

Instead of recommending that subsidies be available to assist poor consumers to maintain their health and standard of living, *Watertight* recommends that any government subsidies should go to private corporations to assist them in developing profit-making opportunities in water and wastewater.

OCWA

In complete contradiction to the recommendations of the Walkerton Inquiry, *Watertight* recommended that the Ontario Clean Water Agency (OCWA) be either wound down or sold off to a private water company. CUPE recommends that OCWA's emergency response mandate be retained and that its role be expanded to also address emergency prevention.

CONCLUSIONS

Based on our analysis of *Watertight: The Case for Change in Ontario's Water and Wastewater Sector*, CUPE suggested that the recommendations of the Expert Panel would take the Ontario Government in a direction on water policy that is fraught with peril and would lead to a whole scale reduction in accountability, safety and public trust on perhaps the most critical policy/public safety issue in the Minister's portfolio of responsibility.

What is needed from the Ontario government is a strong public commitment to having publicly owned and operated water resources and systems confirmed as the most critical public good in Ontario and that the delivery of water services should remain (and where necessary, be reinstated) as the highest public service priority of the Government of Ontario.

Public financing governance and service delivery provides the means of ensuring that our water systems are financially sustainable, that water is affordable and that we have the control to implement achievable, practical solutions today and in to the future.

Ensuring access to water and high water quality, adopting new technologies, accessing expertise, preventing fragmentation, increasing efficiency, planning for adequate and fair financing, enhancing public accountability and involvement, and keeping water and wastewater services in the Canadian hands are all reasons why public financing and control is a more responsible choice than privatization in the provision of water and wastewater services for the Province of Ontario.

Water is essential to life - no one should be able to control it or expropriate it for profit. The right to water has been recognized internationally through the United Nations Committee on Economic, Social and Cultural Rights. The world's water companies would like to see water regarded as a human need, enabling them to control and sell water to the highest bidder for profit.

The Ontario government should support the real interests of the people of Ontario on this crucial issue – and not pander to the narrow interests of the multinational water companies.

CUPE Research
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