



FACT SHEET: PUBLIC/PRIVATE WATER

Whether water is a public good or a commodity is a highly contentious issue among Canadians. The debate over public or private water often emerges in the context of water supply management, where aging infrastructure, increasing consumer expectations, and a growing awareness of environmental impacts are forcing communities to consider what is the 'best mix' of models to ensure sustainable water now and into the future.

Water supply responsibility, regulation, and problems in Canada

The need for a national debate over public versus private approaches to water is driven by a number of challenges facing water providers at the beginning of the 21st century.

- Constitutionally, provinces in Canada have responsibility for water supply and regulation. Provinces usually delegate water supply to municipal governments, allowing for a diversity of management approaches as each community implements their chosen model to suit their needs and their province's regulatory requirements.
- Many of Canada's water infrastructure systems were constructed in the early 1900s and have not been properly maintained, and have increasing demands placed on them by a growing population, creating a strong need for investment in water infrastructure. Simultaneously, grants from higher levels of government for such development have been decreasing.
- After the Walkerton, ON and North Battleford, SA contamination incidents consumers have raised their expectations of drinking water quality.

Public utility (or municipality) model

The dominant model in industrialized countries and urban centres for most of the twentieth century, a public utility is created by government (often municipal), which owns the water infrastructure and provides water (often subsidized and unmetered) to consumers to meet the objectives of universal access and public health protection.

- Six of the ten largest cities in Canada (Calgary, Montreal, Ottawa, Toronto, Vancouver, and Winnipeg) have "traditional" public utilities managing their water.
- Both Toronto and Vancouver considered restructuring their water systems to incorporate different models, such as a corporation and a public private partnership for water treatment, however each municipality encountered heated public opposition and respectively returned to the public utility model.
- Some advantages of the public utility model: subsidized pricing and social equity help to ensure universal access to clean water and its associated health benefits; transparency and accountability are high as consumers are treated as citizens.
- Some disadvantages of the public utility model: many municipalities lack funds for expensive and necessary infrastructure improvements; unmetered water means there is a lack of water conservation incentives for consumers.

Private sector commercial model

There are numerous private sector models, ranging from “privatization” which involves the sale of the water supply network to private corporations, to the more common “public private partnership” (or P3) where government retains ownership of the supply system and contracts out design, construction, operation, or management components for a fixed period of time to the private sector.

- Privatization has only been attempted in a few countries, like Chile and England. In the case of England, private water companies are strictly regulated, with capped dividends and requirements to reinvest any additional profits back into the water supply business.
- P3s are the most common form of private sector involvement in Canada. London, ON and Moncton, NB are examples of cities who have experimented with P3s for their water supply and sewerage systems.
- In the early 1990s, Hamilton, ON faced the need for a massive overhaul of its ailing water infrastructure. In 1995, the city entered into a 10-year P3 contract worth approximately \$187 million with the local company Philip Services Corporation. Lack of transparency, water quality incidents, labour relations, and higher than normal tariff increases – essentially poor governance of the contract, triggered a public outcry. In 2004 the city returned to a public utility model.
- ‘Commercialization’, applying private sector principles of efficiency and profit incentives to water supply, often involves the introduction of metering, full-cost pricing (price reflects cost of service) and economic equity (pay for quantity of water used).
- Advantages of properly structured P3s: necessary expertise that may be lacking in-house can be obtained; cost savings through increased efficiency; increased flexibility in employment and day-to-day management; increased access to financing capital; water conservation incentives.
- Disadvantages: Canada lacks a regulatory framework for ‘benchmarking’ P3s, so municipalities are forced to regulate ‘by contract’ (and may not have the means to do so); globally there are less than a dozen companies able to handle large-scale municipal contracts; may result in reduced transparency and accountability to consumers.

Community cooperative model

Community cooperatives, where communities build and run their own water supplies, can be structured in a number of different ways. Cooperative users (be they consumers, employees, or producers of goods and services) are involved in the management and decision-making, and the goal “is effective (not necessarily efficient) management, in line with community norms”.

- Commonly used in rural areas, the cooperative model is well suited to communities who are sparsely populated and who have a tradition of community operated services.
- There are approximately 200 water supply cooperatives in Canada, mostly found in Alberta, Manitoba, and Quebec.