

Detroit emergency manager examines privatizing the water department

James Brewer
13 March 2014

In an interview with the *Detroit News* this week, Emergency Manager Kevyn Orr dropped the other shoe in the ongoing discussion over the fate of the Detroit Water and Sewerage Department (DWSD). With his proposal to create a regional authority facing resistance, Orr announced that he will “explore” two other options: privatizing the operations of the DWSD, and outright sale of the system.

Since the water and sewerage system is considered the only cash-generating operation the city has, Orr is determined to have a plan in place by the time of the bankruptcy hearing before the city’s creditors next month. Orr’s proposals in turn reflect the pressure being applied by the bondholders and their insurers for a concrete plan to maximize their return on investment.

The move toward privatization is a reactionary policy driven by the same financial entities who swindled the city and prepared the conditions for the bankruptcy filing.

The “plan of adjustment” presented on February 21 included the proposal to lease the DWSD to a regional authority, which will be named the Great Lakes Water and Sewerage Authority (GLWSA). The plan, as discussed, would require that the three counties that are currently serviced by the DWSD pay \$47 million a year for 40 years.

Negotiations between city officials and officials from Wayne, Oakland and Macomb counties have produced no agreement on terms for this deal. Last year, when Orr got involved with the plan for the water department, he claimed that the regionalization plan would bring the city \$9 billion over a 40-year period. At the time, Oakland County Executive L. Brooks Patterson called that deal “dead on arrival.”

Robert Daddow, deputy county executive for Oakland County describes the talks with the city: “By and large,

this hasn’t been a negotiation. It’s been a stampede to an end point. We’ve been stuck in first gear for a long time because everything we put on the table gets rejected.”

Orr is seeking to squeeze additional funds out of one of the city’s most valuable assets. In a video of his interview on detroitnews.com, Orr proposes contracting out DWSD operations to a private company as an alternative to regionalization: “[One option] would be hiring a contractor. To help us run the efficiencies and bring to the capital markets greater confidence in the operation of the department. There are many operators out there, such as American Water and others. And other communities. American Water does operate other water companies around the Washington DC area who bring a certain expertise and confidence into the marketplace.”

What Orr did not mention is that American Water, the largest private water company in the US, has been responsible for a recent catastrophic industrial disaster in West Virginia. As owner and operator of the West Virginia region’s water distribution system, West Virginia American Water Company (WVAWC) is overseeing a social catastrophe in the area as a result of the release of crude 4-methylcyclohexanemethanol (MCHM) upstream from its water intake and treatment and distribution center.

Over 300,000 residents were without drinking water for over nine days. Schools and businesses were shut as a result of the toxic chemical in the water. (See “Residents speak on continued water problems in West Virginia”). WVAWC is the defendant in three lawsuits being brought by victims of the disaster.

Orr announced that private contractors will “run efficiencies and bring to the capital markets greater confidence in the operation of the department.” In

practice, this will mean eliminating the existing workforce and bringing in low-wage workers, similar to what is being done in the auto industry.

The development of expansive water and waste treatment facilities, even under capitalism, took place as public works projects. Only in this way did growing urban populations gain access to clean, safe drinking water and a secure, efficient means of waste disposal and treatment. This was by no means due to the beneficent character of the ruling elite, but a byproduct of the capitalists' need for a reasonably healthy workforce.

Diseases like typhus and cholera were once common in urban centers, including Detroit, killing thousands and sickening many more, making separate sewer lines and waste treatment a necessity. In the 19th century, water works projects were often started by private enterprises, but failed due to the capital-intensive nature of the endeavor of providing water to an entire population. Larger cities embarked on the building of massive water distribution and purification systems to meet public need, but required backing from the banks, giving rise to the municipal bond markets.

The Detroit Water and Sewerage Department, like all US municipal water systems, required huge investments over many decades since 1835 to develop into what would become one of the largest municipal water systems in America. In fact, in 1935 the newly-completed Springwells Water Treatment Plant became the largest self-contained water plant in the world.

In 1835, the Detroit electorate approved the issuing of \$50,000 in bonds to finance the initial acquisition of the water works. Today, 179 years later, the debt of the water department alone is \$6 billion.

Some 4 million southeast Michigan residents are served by the system. Its annual operating revenues are close to \$1 billion. Despite the state of neglect of its vast infrastructure, private investors are well aware of the enormous potential of the DWSD to generate profits.

In the *News* interview, Orr added, "I'm going to explore two other alternatives as well, to make sure that at the end of the day in the discharge of my duty, I've explored every opportunity to wring every bit of value from the assets of the city."

The second alternative Orr mentioned was the sale of the DWSD to a private company. He said, "I think we

might also explore what the potential price would be if we were to take it to an outright sale."

The financial barons are well aware that this option will provoke widespread opposition, which the *News* describes as "pushback." Both Orr and the press imply that the likelihood of such a sale is very low.

Months ago, New York investment banker Kenneth Buckfire spoke for the financial speculators eyeing the water department, saying, "The only way is to sell it or privatize it. Several private equity firms have expressed interest, but only if they can charge higher rates."

In other words, the objective of investors eyeing the DWSD is to destroy the jobs and conditions of the workers and get their hands on the water so they can gouge the ratepayers.



To contact the WSWs and the
Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)