

More Than Money

Can water P3s go beyond the business case?

BY LEO GOHIER AND FABIAN PAPA

MOST THINGS THAT WE PUT INTO OUR BODIES for reasons of health, personal choice or basic sustenance come from the private sector for a profit. Bottled water, medicine, food—the list continues. However, historically, the adoption of public-private partnerships (P3s) in Canada, or any involvement by the private sector in the provision of municipal drinking water services, has come up against criticism.

Private-sector involvement could be immensely supportive in making water systems more sustainable, so why are we so slow to make the connection?

There are signs of increased interest in involving private companies in projects and services. People are beginning to understand that P3s are not about complete privatization, and that they can introduce new benefits, or make possible levels of sustainability that public ownership may not.

In the fully public approach, governments own, manage and operate all aspects of environmental infrastructure services. At the other end of the spectrum, privatization could be defined as the wholesale ownership, management, operation and financing of environmental infrastructure services by privately-held companies without any significant governmental involvement save for regulatory oversight.

While the definition of a P3 is subject to a wide range of interpretation, for our purposes, P3s are a continuum of options where roles and responsibilities are

blended in different amounts between the public and private sectors. There's an infinite number of models between these two extremes, including interesting alternatives for specific services, such as management of non-revenue water and leak detection [*see Faisal Mirza's "Pipe Dreams: How reducing water loss can give you more bang for your buck," November/December 2009*].

The questions municipalities should be asking pertain to how they can sustain an acceptable level of service, not whether it's prudent to involve the private sector in the delivery of those services.

Private operators need to offer their services within the context of sustainability.

It would be fair to say that a municipality has a legal and moral responsibility to provide drinking water and wastewater treatment services to its residents. The role of public servants is to offer those services in the most efficient and effective manner while protecting the investment in infrastructure for future generations. How can the public and private sectors achieve this together?

In a sustainable community, meeting water and wastewater needs is as basic as it comes. At 1992's Earth Summit in Rio de Janeiro, the concept of sustainability was defined as striving for a balance between economic, environmental and social/health factors in decision-making. Municipalities should review all

internal and external proposals with this definition in mind—with an eye to the basic criteria of sustainability.

FINANCIAL:

- Is the initiative financially viable?
- Is it the best value for money, and not just the lowest price?
- Is the community's current investment protected?
- Will future investments be protected?
- Is there opportunity for economic development?
- Are there financial savings to the community?
- Are certain costs shared, and is the formula a win-win?
- Are the savings being reinvested in the community's infrastructure, or are they simply being used to maintain or lower water rates?

SOCIAL:

- Are current employees protected?
- Are service levels maintained or improved?
- Does the community support this initiative? Does it believe it's the right thing to do? (for instance, reduction in water losses)
- Are jobs created or any other direct or indirect economic development?
- Are there joint initiatives in the areas of education, communication, training, marketing, et cetera?

ENVIRONMENTAL:

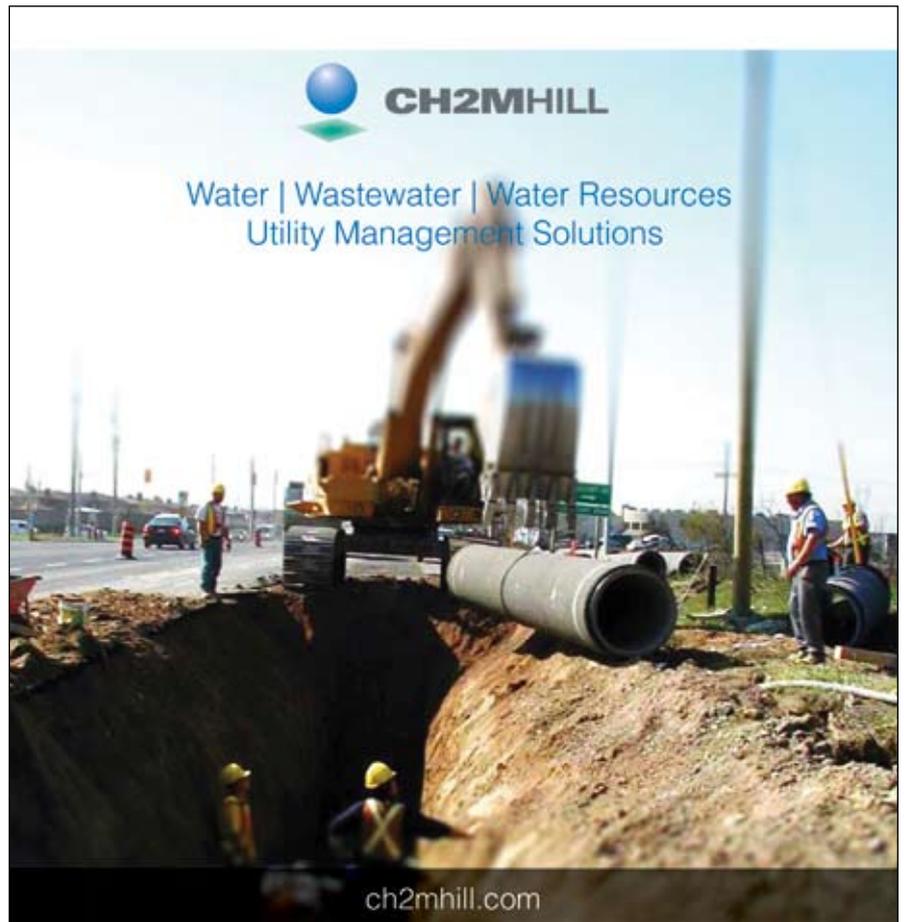
- Are current standards being met or exceeded?
- Are there any compliance issues with regulations?
- How are environmental issues assessed and, if required, remedied?
- Is the environment positively impacted, such as water being protected/saved?

When public managers ask themselves, “is this a good deal?” the answer really depends on what the community wants, what the community needs, what its values are, how it compares the deal to other options, and finally, what the measurement criteria will be with implementation.

For their part, private operators need to offer their services within the context of sustainability. Any contract with the private sector involving any aspect of an essential service such as water and wastewater should leave both parties with a responsibility to the community to ensure that the contract is, in essence, sustainable and not just a one-dimensional good business case. Purchasing policies and documents as well as other public policies ought to accommodate a multi-dimensional approach such as this, which in and of itself will require public education and communication. This is the only way to make the “best” overall decisions and to eventually move towards sustainable communities over the long term as a result of sustainable decision-making. It is encouraging to see that changes in culture, both within the public as well as the private sectors, appear to be slowly taking hold in this regard. *wc*

Leo Gohier is an advisor to Vatten Infrastructure Inc. and has held director-level positions for the Regions of Ottawa-Carleton and Hamilton-Wentworth, in addition to senior roles with private water and wastewater operators in North America.

Fabian Papa is the founder of Vatten Infrastructure Inc., a Toronto-based advisory firm specializing in private sector participation in the water and wastewater sectors as well as investments in companies servicing this industry.



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