IV. Genocide Through Denial of Water

An ‘Enron for Water’? The Threat from Wall Street

by Paul Gallagher

April 11—Over the past 30 years, global financial firms have pushed for the privatization of public water supply systems all over the world, and in the past 15 years they have developed exchange-listed “water price indices” to introduce “trading floors” into the world of populations’ water supplies. While doing so, these global capital holders have been preparing for serious water shortages and intense drought conditions to appear, enabling them to play black marketeers, as Enron did so brutally with California’s electricity supplies under deregulation in 2001.

Given that the U.S. Western drought will continue, and likely intensify, until scientific solutions can be mobilized for it, we have to keep the hands of Wall Street and the water privatization lobby off Western water supplies.

The hands of the latest would-be President Bush, for example, Jeb, who told the *South Florida Sun-Sentinel*, “We must push privatization [of government] in every area where privatization is possible.”

Or New Jersey governor and Obama pal Chris Christie, who pushed through legislation in January allowing—indeed, almost requiring—any New Jersey municipality that needs serious infrastructure investment, to privatize it.

Water at a Price—of Life Itself

In the midst of the California drought emergency, the huge multinational Nestle, seller of bottled water to the world, is providing one example of what must be stopped. Gov. Jerry Brown, while cutting public water use 25% by order in Sacramento, as in the rest of the state, has placed no limitation on Nestle’s withdrawal of freshwater from aquifer springs nearby. Nestle (alias here: the Arrowhead Mountain Water Company) continues to draw water at an 80 million gallon/year rate, paying 2 or 3 cents/gallon; it bottles the water in Sacramento, and sells it for roughly $16/gallon-equivalent to the city’s population, which has had its tap water use restricted.

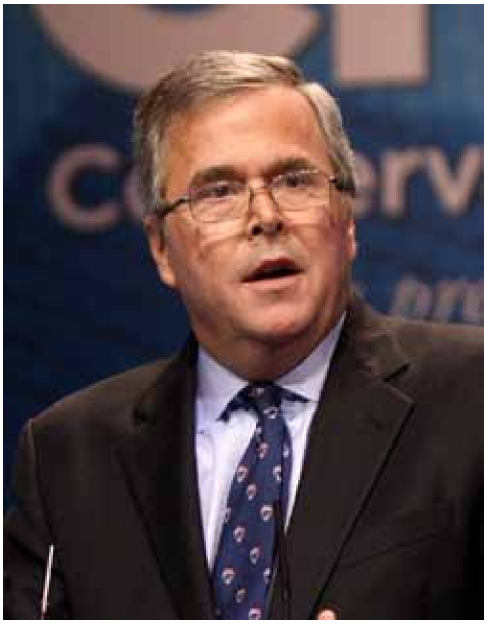
This comes under the world overview of Nestle’s Austrian chairman Peter Brabeck, expressed in 2011 at Davos as follows:

“For the sustainability of ... humankind, the most important issue is water.... We will be running out of water long before we are running out of oil.

“NGOs, in a simplistic manner, are saying, ‘Water is a human right; therefore, it’s not a commercial utility.’ My answer to this is, ‘Yes, you’re right. Water is a human right. The 25 liters of water [about 5 gallons—ed.] that you need as a minimum in order to live, is a human right. That's a few liters for cleaning, a few liters for drinking, daily hydration and minimum hygiene.... But beyond that, this is not a human right.

"We need 25 liters of water per day. But we are using—in the United States—400 liters per capita per day. So this 380 liters, I don't think this is a human right, and this should have a price. Why? Because if you do not put a price, we will not make the investments which are necessary in order to use the most precious of resources in a more responsible manner....

"If you do not give a value to the water, those [infrastructure] investments are not going to be made, because nobody has an interest to invest, because you don't have an economic return.... If the water has *at least* a decent price, the investment can be made."



Jeb Bush told the South Florida Sun-Sentinel, "We must push privatization [of government] in every area where privatization is possible."

The clear "smell" emanating from Brabeck's statement is the basic reason for privatization of water: Raising the price of water (always done in privatization, as shown below) differentially hits poorer water users, some of whom will lose access to water, food, or hygiene, and either become ill, or malnourished, or die.

Population reduction is the *raison d'être* of privatization. Another Davos regular and 30-year leader of Greenpeace, Amy Larkin, made it equally clear in the April 10 London *Guardian*: "The sort-sighted approach has failed to properly factor the drought threat into its pricing mechanism.... São Paulo, Brazil's largest city and industrial center, has begun rationing water and is discussing whether or not it will need to depopulate in the near future."

Brabeck's monstrous claim—that 1% of current water use is a "right" which should be provided by governments, and the availability of the other 99% of use should depend on its price—has two gross lies embedded in it. The first is being proven by Nestle in Sacramento every day. It is using the natural water supplies of the area, not responsibly, but *extremely wastefully, because it can bring a high price in private sale*. This, in a word, is the story of privatized water systems all over the world during the past 30 years. The high price cuts off the access and perhaps the lives of lower-income people, while wasting the water.

Brabeck's second lie concerns the human race. He claims that mankind does not invest time and resources into scientific and technological progress—expressed as new infrastructure—unless it commands a high money price for private investors. The extraordinary water supply and management infrastructure of the American West—built for the most part through the Bureau of Reclamation, Reconstruction Finance Corporation, Works Progress Administration, Civilian Conservation Corps, Army Corps of Engineers, and continued through the period of JFK's Presidency, as by then-California Gov. Pat Brown—proves this is false. What we are going to do to revolutionize water management around the Pacific Rim in the future, proves it is false. And water privatization's history of failures proves it is false.

Once a French Disease

For more than a century, the huge private water companies were in France, and the largest part of France's water systems privatized. The giants were the companies known as Suez Lyonnais des Eaux ("Suez") and Vivendi Environmente (now "Veolia"). Here occurred one of the first examples of degradation of public water supplies when they are made price-dependent. This was the city of Grenoble, historically an exception in France in having for many decades a public water supply, well-managed and adequate to the city's needs. Bribery of city officials led to sale of the water system to Suez in 1987. Scandals of water price gouging, layoffs of water engineers and inspectors, water quality degradation, and large *increases* in water withdrawals all followed. Grenoble went public again in 1995, and top Suez officials escaped prison because of their financial clout with political parties, like that of Enron with the Bushes.

The private giants' water rates in French municipalities are generally 15% higher than those of public city water systems.

EIRNS/Robert Baker

Speculation in water prices during the drought is another Wall Street crime which calls for breaking up the big banks with Glass-Steagall. Here, LaRouchePAC holds a rally on Wall Street, April 9.

In 1979-80, British Prime Minister Margaret Thatcher's "revolution" privatized *all* the water systems in the U.K. by 1988. The giant private water companies started to go global through this development, entering England and Wales as Veolia, RWE Thames Water, Wessex Water, etc. Average U.K. customer water charges then doubled (a 106% increase, according to Public Services International) from 1989 to 1995, and the annual rate of "disconnections" of customers rose by 50%. In the U.K., the companies found they could average 10% profits annually.

Then when they took over Buenos Aires' water in 1993 (Suez, under the name Aguas Argentinas), they made 20-30% annual profits. Argentina fit the pattern in that water rates were raised 55% in two steps in 1991 and 1992, under the Carlos Menem government, in preparation for the privatization; and another 15% in 1994. Water use indeed expanded in Buenos Aires by the overall expansion of the system; but nitrates in the water supply rose, pressure fell, prices kept rising, until the Néstor Kirchner government made the city's water a public entity again in 2006.

This was repeated with the largest water privatization deal pulled off in the United States, when Atlanta sold the operation of its water system for 20 years to United Water (Suez) in 1999. The city cancelled the contract just four years later, after a deluge of residents' complaints of brown water, poor and interrupted service, and a roughly 30% rate increase.

The same process in Baltimore just culminated, in January 2015, in the city's abandonment of a privatization "consulting" contract with Veolia North America after citywide protests against it. According to the familiar pattern, the city had raised water rates very substantially (40% since 2013) in preparation for privatization. Following defeat of the contract, the city issued 10-day shutoff notices to 25,000 households April 8, which in many cases may also involve eviction.

Detroit is on the same path since the city's bankruptcy in 2013, with the Water and Sewerage Department having imposed 25% rate increases, attempted to shut off water to thousands of delinquent households, and formed a new corporate structure, Great Lakes Water Authority, ready for privatization. Water rates have been increased by 25% since Detroit's bankruptcy.

In Ireland, the new "semi-public" entity created, called Irish Water, sparked a nationwide mass protest movement when water rates were increased sharply to cut use. There, Veolia UK has made public its desire to negotiate for privatization of Irish Water.

Close to 50 million customers in the United States had to buy their water from private companies in 2012, with the largest private seller being American Waterworks (of which more below). A state-by-state cost comparison by Food and Water Watch in 2011 found that the average household water bill for a private water utility customer is 33% higher than for a public water utility.

And a full one-sixth of privatized water contracts were *cancelled* by the municipality between 2007 and 2011, most often because of bad water quality from the privatized system. Private water companies typically get contracts of 10-20 years, and don't make infrastructure investments which will take longer than that to pay off economically, such as really new water sources. They try to *increase* water use in order to raise their revenue, rather than trying to conserve it (like Nestle in Sacramento); and they typically keep expert staffs, on which water quality depends, to a minimum.

Gary, Ind. cancelled its contract with Veolia because water costs doubled in a few years. In 2009, Camden, N.J., sued United Water (Suez) for "unapproved payments, high unaccounted-for water losses, poor maintenance, and service disruptions." In Milwaukee, a state audit found that the same company violated its contract by shutting down sewage pumps to save money, a move reminiscent of Enron's behavior in California electricity markets; the move resulted in billions of gallons of raw sewage spilling into Lake Michigan.

UN, World Bank, and Wall Street

By 2012, some 7-8% of municipal and smaller water systems in the world had been privatized—overwhelmingly by the companies named above—according to the World Bank.

In fact, the World Bank—whose miserably low infrastructure investment level (ca. $10 billion annually around the world) is one reason so many nations have joined with China in the new Asian Infrastructure Investment Bank—has pushed water privatization hard since 1992. It has made many water privatization loans to countries and cities, essentially to subsidize the private water companies in whatever infrastructure they were going to build. This practice stems from the so-called (UN) Dublin Statement on Water and Sustainable Development of 1992, which pronounced that "Water is an economic good"—i.e., not a right of human civilization. From that point on, the World Bank has advised Third World countries and cities to sell their water infrastructure to the private companies.

In 1998, the UN Commission on Sustainable Development proposed governments turn to large multinational companies for capital and expertise in water management, requiring an "open market in water rights."

In came Wall Street. Goldman Sachs, along with General Electric and a high-powered Washington think tank called the World Resources Institute (WRI), established a market index "measuring and hedging water-related risks facing companies and their investors." This new water index "draws on publicly available data regarding physical scarcity and water quality and overlays factors including the regulatory regime and social and reputational issues in various regions of the world." Together the financial firms called themselves the Aqueduct Alliance, and their index the Aqueduct Index.

It is, in other words, an index to bet on water as a commodity, even as Goldman Sach has, since 1991, operated the dominant overall commodity price index. There are, in fact, now six such Wall Street/London/Frankfurt water-price betting indices, all of them started since 2000. Bloomberg News reported March 31 that California's water cost index rose 36.7% from 2009 to 2014—compared to supposed general inflation of 8.7%—and that the index for Texas rose 19.8% in the same period.

The Goldman et al. index concentrates on regions of the world where water scarcity is enticing speculators to secure water-rights in a "buy-and-hold" strategy. Its model focuses on recent events in Australia. The government stupidly introduced a private water market for the Murray Darling Basin, its largest water-source region, in the 1990s, with speculators buying land with water rights. Drought hit during the following decade and the speculative market exploded, with the government having to repurchase land/water rights. With prices zooming, hedge funds made several billion dollars in profits.

Even post-drought, the Aqueduct Alliance index remains focused on the Murray-Darling Basin. One hedge fund advisor was quoted by the *New Internationalist* magazine in 2013: "An emerging worldwide water crisis is creating serious profit opportunities for those in the know. If you play it right, the results of this impending water crisis can be very good."

Currently, Goldman Sachs uses its index to advise water-rights holders in the United States as well, on when and to whom to sell. Its advice is to sell to "frackers"—hydraulic fracturing oil drillers—obtaining a far higher price than to farmers, ranchers, or even municipalities, for now.

Goldman Sachs itself bought Veolia (formerly Vivendi) UK and Veolia North America in 2012; tried to privatize Reno, Nev.'s water system for 50 years in 2009; teamed with Deutsche Bank in unsuccessful 2007 bids for two other U.K. private water companies; and in 2003, bought Ondeo Nalco, a water treatment technology company with 10,000 employees, from Suez.

Willem Buiter, Citigroup's chief economist, wrote in 2012: "Water as an asset class will, in my view, become eventually the single most important physical-commodity based asset class, dwarfing oil, copper, agricultural commodities and precious metals."

Enron itself was going into privatized water sales when it was exposed for its electricity black marketeer-

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ing and other speculations, and blew up. Enron had bought Wessex Water (U.K.) and formed Azurix, which then bought half a dozen water companies in South America, Canada, and India. Azurix has now become American Waterworks, with a substantial position in the company by JPMorgan Chase Bank.

Bank holding companies and banks were not permitted to own commodities or commodity infrastructure under the Glass-Steagall Act, and are still prohibited from doing so under the Bank Holding Company Act of 1957—water speculation like this is given to them on waivers of the latter act by the Federal Reserve.

Bush Water Barons

The *New York Times* on March 31, in a column much like Nestle CEO Peter Brabeck's pronouncements quoted at the outset, published Council on Foreign Relations Fellow Scott Moore, on the California water crisis. "Water Pricing, Not Engineering, Will Ease Looming Water Shortages," was the title. The United States, Moore wrote, "needs to move away from engineering solutions in favor of economic approaches." Water prices are "simply too low," he argued, "giving users little incentive to conserve." The solution: Create water markets.

"Under a market approach, regulators set a cap on the total amount of water that can be used in a given area. The right to use a certain portion of this amount is granted to different water users, including farmers and utilities. Water users who use less than their allotted amount can sell the surplus to other water users at a profit, encouraging conservation and investment in more water-efficient technologies and processes."

The Enron electricity smash-and-grab in California showed that users do not sell to homely "other users," but to financial brokerages like Enron, creating infrastructural chaos and price hyperinflation for superprofits.

This is what a Wall Street "national water market" would do, on the model of the Australian events on which Goldman Sachs' Aqueduct Index is focussed. The big winners are the "buy-and-hold" speculators in water rights.

This brings us to the Bush family.

Billionaire T. Boone Pickens owns Mesa Water, which owns the water rights to recover 65 billion gallons/year of water from under the land it owns over the Ogallala Acquifer. Mesa Water was formed to buy up these rights and build a pipeline to Dallas (ca. 250 miles away) to sell the water to the city, into the intensifying drought.

George H.W. Bush said in 1965: "I have decided to give my vigorous support for population control in the United States and the world." At that time his fellow members of Congress called him "Rubbers" because of his fanatical support for reducing human births in the world.

Obviously, Prescott Bush's son knows that populations can also be reduced by resource crises, and certainly by lack of water to grow food.

So the Bushes go Pickens one better. The Bush family owns, according to many published reports, 300,000 acres in Paraguay which sit over (and have water rights to) the Guarani Acquifer—the world's largest single underground water source, largely beneath Brazil. George H.W. Bush bought 200,000 acres in 2005. Then in 2006, while on a trip to Paraguay for UNICEF and presumably directed by her grandfather, "W" Bush's daughter Jenna reportedly bought 98,840 acres of land in Chaco, Paraguay, near the Triple Frontier (Bolivia, Brazil, and Paraguay). The two huge parcels are very close together.