



# TESTIMONY

June 26, 2013

## CONTRACTING WITH PRIVATE SECTOR WOULD BENEFIT SAINT LOUIS WATER SERVICES

*By David Stokes*

*Testimony Before the Public Utilities Committee of the  
City of Saint Louis Board of Aldermen*

### **To Committee Chair Flowers and the Honorable Members of this Committee:**

My name is David Stokes and I am a policy analyst for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state and local policy. The ideas presented here are my own. This testimony is intended to summarize research and analysis that the Show-Me Institute has conducted and reviewed concerning Missouri utilities. This testimony should not be viewed as specific support for, or opposition to, any particular water plan that the City of Saint Louis is considering beyond general support for the idea of working with the private sector to improve water service delivery within the city.

Innovation comes from the private sector. You need not be a radical capitalist to agree with that simple statement. It is a plain truth. For example, a private inventor, not a government water company, invented the water meter. (Note: The water meter was invented 160 years ago, but the City of Saint Louis still has not adopted it.<sup>1</sup>) City residents will benefit from the proposed consulting deal with a private company to improve the city's water division.

In putting together a team of officials to launch an effort to improve water services, city leadership deserves a great deal of credit. When an agency such as the water division, which has been doing something for a long time, wants to look at ways to

*This is not privatization. Trust me, I wrote the study on privatizing the city water division and part of me wishes this was privatization. It is not. This is a simple consulting deal.*

---

*David Stokes is a policy analyst at the Show-Me Institute, which promotes market solutions for Missouri public policy.*

---

ADVANCING LIBERTY WITH RESPONSIBILITY  
BY PROMOTING MARKET SOLUTIONS  
FOR MISSOURI PUBLIC POLICY

*People who use lesser amounts of water have long subsidized heavy water consumers in the city, and that is wrong.*

improve, it is obvious they should look outside the organization for new ideas. Anything short of that is an exercise in futility.

The team the mayor established collected water consulting bids from major water industry applicants. They chose the French consortium Veolia — one of the world's largest private utility companies — to advise the city. The contract calls for a consulting deal to make improvements to the water system. Depending on which recommendations the city chooses, Veolia could then be paid more to help implement the improvements.

This is not privatization. Trust me, I wrote the study on privatizing the city water division and part of me wishes this was privatization. It is not. This is a simple consulting deal. The city would still own, operate, and maintain every part of the water division. All this proposal calls for is tapping into the expertise of the private sector to improve water provision in the city. Better water operations will benefit everyone in the city and should be embraced.<sup>2</sup>

While nothing about this proposal involves privatizing the water division, the absolute objection to private water from some is still peculiar. Private water companies have been serving the 1 million people in Saint Louis County for a century. Do you recall all the scandals and controversies about private water provision in the county? Neither do I.

But it is scandalous that the city water division has never implemented water meters. I am not blaming

current leadership or this Board of Aldermen — this should have been completed 50 years ago. The lack of water meters encourages waste, overuse, inefficiency, and is unfair to consumers. Studies have found that water use declines between 10 and 30 percent simply by switching to metered water.<sup>3</sup> When the city raises water rates, as it did in 2010, residents have no ability to react to that price increase (other than non-payment). Businesses, which are required to use water meters within the city, can react to price increases by reducing usage and saving money, as AB InBev has done in recent years.<sup>4</sup> City residents deserve the same ability to benefit from conservation as companies. People who use lesser amounts of water have long subsidized heavy water consumers in the city, and that is wrong. If you wish to use water like the zealots at Masada — wallowing in water while the parched Roman legions suffered in the desert below — that is great.<sup>5</sup> But you should pay for it, not your neighbors.

It is highly likely that the consulting deal with the private sector will result in many different ideas to improve water delivery in the city. These will range from the obvious, such as water meters, to the creative. People, businesses, and governments all benefit when they seek advice from knowledgeable parties outside their normal circles. Saint Louis city government and the water division are no different. The objections to the contract are an example of scattered ideology trying to stop practical steps

for general improvement. The contract for consulting services from a private company such as Veolia will likely improve water quality and services in the city, and that will benefit everyone.

---

***Join the fight for liberty in our state.  
Become a Show-Me Institute supporter:  
[www.showmeinstitute.org/donate](http://www.showmeinstitute.org/donate)***

## NOTES

<sup>1</sup> The city allows residents to choose water meters, but very few have chosen to do so. The city should mandate the use of meters. Flat rate pricing without meters allows people to use as much water as they want without paying for the marginal cost of it. Not surprisingly, most people will continue to choose that option.

<sup>2</sup> To be clear, it should be embraced after the proper amount of scrutiny, which this committee is doing.

<sup>3</sup> Terrebonne, Peter. "Residential Water Demand Management Programs: A Selected Review of the Literature," Water Policy Working Paper #2005-002, January 2005, p. 6.

<sup>4</sup> "Anheuser-Busch InBev To Cut Water Usage," *St. Louis Business Journal*, May 15, 2010.

<sup>5</sup> *Masada*, ABC television mini-series, 1981.

*If you wish to use  
water like the  
zealots at Masada  
— wallowing in  
water while the  
parched Roman  
legions suffered in  
the desert below —  
that is great.*



4512 West Pine Blvd. | Saint Louis, MO 63108 | 314-454-0647 | [www.showmeinstitute.org](http://www.showmeinstitute.org)

**View State Government Spending:** [showmeliving.org](http://showmeliving.org)   **Read Our Blog:** [showmedaily.org](http://showmedaily.org)   **Use Our Interactive Database:** [showmeideas.org](http://showmeideas.org)   **Find Us on Facebook:** [facebook.com/showmeinstitute](https://facebook.com/showmeinstitute)   **Follow Us on Twitter:** [twitter.com/showme](https://twitter.com/showme)