

BECHTEL'S WATER GRAB

WILL WATER BECOME THE SPOIL OF WAR?

In 1999, the Vice-President of the World Bank said, "the wars of the next century will be about water." Sadly, just three years into the new century, it appears that those wars may have already begun.

Bechtel is one of the top ten water privatization companies in the world. Globally, it is involved in over 200 water and wastewater treatment plants. Bechtel's corporate model of sacrificing human needs for profit in providing this precious resource is a model that will be replicated in Iraq if we don't voice our opposition.

Halliburton received a \$77 million contract to repair Iraq's oil fields. In April, we learned that the contract also includes both the pumping and selling of Iraq's oil. On May 1, the *Wall Street Journal* revealed a Bush Administration paper outlining a "Broad-Based Mass Privatization Plan" for Iraq, including "the privatization of state-owned industries such as parts of the oil sector."

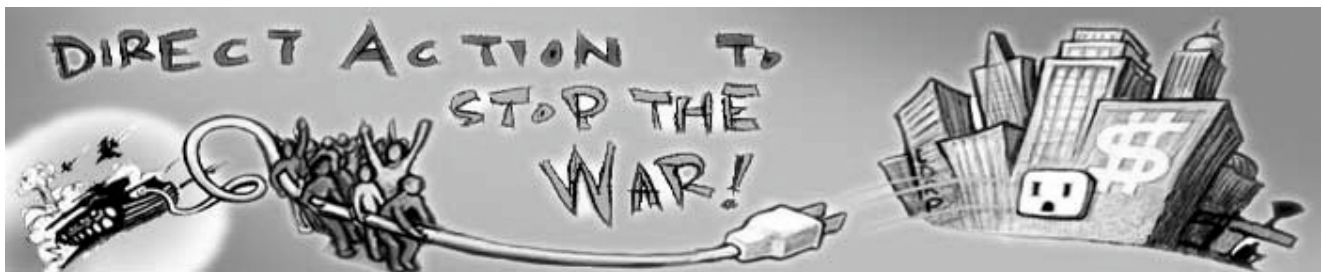
On April 17, Bechtel received a \$680 million, 18 month contract that includes rebuilding Iraq's water and wastewater systems. If the company's contract is extended to include "distribution of water," just as Halliburton's was for the distribution of oil, the people of Iraq have much to fear.

San Francisco, California: Misuse of Taxpayer Money and Fear of Privatization

Just over a year ago, the San Francisco Board of Supervisors phased out a contract with Bechtel for the management of the upgrade of the city's water systems before its completion date. In public reports, Bechtel was charged with doing unnecessary and overpriced work and charging the city for tens of thousands of dollars' worth of personal expenses, including travel. Local unions complained that Bechtel was receiving taxpayer money to take over work already being done by more experienced and qualified city employees. Local citizens and their elected officials were also deeply concerned that the management contract was just the first step towards a privatization of the water system by Bechtel.

Cochabamba, Bolivia: Creating a Humanitarian Crisis

After privatizing the water systems in Cochabamba, Bolivia, in 1999, Aguas del Tunari, a subsidiary of Bechtel, implemented massive price hikes. Families earning a minimum wage of \$60 per month faced water bills of \$20 per month overnight. Rate increases of 100 percent were the most common, while increases as high as 300 percent were reported around the city. Water was so expensive that many, particularly the poorest users, were forced to do without. After attempts to discuss the situation with both the company and the government fell on deaf ears, the citizens rose in organized protest, eventually shutting down the city with a general strike. At best, Bechtel sat and waited while the Bolivian government defended Bechtel's right to privatize the water with deadly force—killing at least one 17 year old boy and wounding hundreds more. But the people would not back down and the government was forced to cancel Bechtel's contract. Ignoring its own role in creating the humanitarian crisis, Bechtel responded with a \$25 million lawsuit for lost profits in a case still pending at a World Bank court.



HOLD BECHTEL ACCOUNTABLE.

Sofia, Bulgaria: Worker Abuse and Rate Hikes

In 2000, a subsidiary of Bechtel, Sofijska Voda, privatized the water company in Sofia, Bulgaria. There have been ongoing labor, consumer and environmental problems with the company as well as allegations of impropriety and embezzlement. Labor unions have reported major problems, including Bechtel's refusal to transfer employment and its plans to put permanent employees on fixed-term contracts. Bechtel was constantly postponing negotiations and refusing to sign a collective agreement protecting workers' pay and conditions, while continuing to cut jobs. As for water prices, in 2001, an injunction was issued to stop Bechtel from charging increased water rates when their contract explicitly stated that rates would not be changed in the first three years. Water rates had been raised despite worsening water quality and no visible investment in the network even though the company promised that it "would replace and upgrade some 100 km of the town's water-and-sewerage network per year." Reportedly, Bechtel even has plans to reduce the water supply pressure in the whole city, leaving people on upper floors in flats without water, unless they purchase specially designed pumps made by the company.

Guayaquil, Ecuador: Abuse of Workers

The process of water privatization in Guayaquil, Ecuador began in 1994. The Inter-American Development Bank provided a loan to the Government of Ecuador that included the requirement to privatize the public water company, Empresa Cantonal de Agua Potable y Alcantarillo de Guayaquil (ECAPAG). International bids were solicited and Bechtel's water company, International Water Services, won a thirty-year contract to operate in Ecuador. The contract stipulated that the privatization would mean the termination of all the workers of ECAPAG. The hiring of workers had been left to the discretion of the Bechtel local subsidiary. However, the company immediately faced a demand by the workers to maintain their jobs. To appease the workers, the company began a process of negotiation and agreed to contract the majority of the workers of ECAPAG. Supported by loans from the Inter-American Development Bank, through the Workers' Transition Program, training would be provided to help the workers prepare to assume responsibilities in the new company or, for those that would not be re-hired, training to transition to other jobs. For those in the second category, training was provided in the management of micro enterprises, and assistance in searching for jobs with other companies in the area. However, the initial promises of the company were never fulfilled. The privatization process moved forward without hiring back the majority of the ECAPAG workers. The workers have taken legal action saying that they were deceived because the Bechtel subsidiary has not hired the majority of the workers as they had promised to do. According to leaders of the workers, fewer than 20 % of ECAPAG workers have been re-hired. This struggle is ongoing.

Tallinn, Estonia: Profits Over People

In January 2001, Bechtel acquired a 50.4% stake in Tallinna Vesi, the Estonian water company that provides services for the capital city, Tallinn. Bechtel originally planned to raise water prices 50% by 2005, but enough opposition emerged to that plan that it had to be revised. The new plan would still raise prices, but do so over a longer time period—rising prices 54% by 2010. While prices on life's most vital resource are skyrocketing, the company is making huge profits for shareholders. In May 2001, the supervisory council of Tallinna Vesi recommended that the shareholders' get US \$10.3 million in dividends from the company's existing profits. One company board member said the reason for the large dividend payment was "the large amount of idle money in the bank account." In 2001, the company experienced a 700% rise in profits, and paid out 80% of this as dividend, leaving only US \$2.2 million for investment. While Bechtel has managed to extract US \$37.8 million from this venture in just two years, the citizens of Tallinn, Estonia (unless they happen to be company shareholders) have painfully little to show from it. Meanwhile, investment in the city's water and sewage system, insofar as it takes place, continues to be financed primarily by the European Bank for Reconstruction and Development, not the company.

Manila, Philippines: Broken Promises

The 25-year lease agreements in Manila were the biggest water privatizations in the world when they took place in 1997. The Metropolitan Waterworks and Sewerage System (MWSS) granted the rights to operate and expand water and sewerage service to Manila Water, a company co-owned by Bechtel and the Ayala family, and Maynilad Water, co-owned by Ondeo/Suez and the Lopez family. The marriage between the major global corporations and the elite families of the Filipino oligarchy was designed to continue the practice of redistributing income upwards. When Bechtel and Suez entered Manila in 1997 it was with a promise to lower rates, reduce leakages, and expand the water infrastructure to the millions of households in urban Manila. After five years, the two companies claimed that more than 2 million more people were connected to the water system, but government regulators dispute that number. Civil society groups have criticized the undemocratic and non-transparent nature of the privatization process, the rate hikes, the unmet promises of rehabilitation and expansion of water services (especially to the urban poor), the corruption, and the weak regulatory and oversight practices. The people of Manila continue to suffer the consequences of these policies.

“Water promises to be to the 21st century what oil was to the 20th century: the precious commodity that determines the wealth of nations.” – *Fortune Magazine*, May 2000.