Chapter Five

Who takes the risks? Water remunicipalisation in Hamilton, Canada

by Martin Pigeon

In 2004, the Canadian city of Hamilton decided not to renew the contract it had rubber-stamped 10 years earlier with a local private water company, Philip Utilities Management Corporation, for the maintenance and operation of its water and wastewater treatment plant. At the time of its signature, this public-private partnership contract was the biggest in North America and brought high hopes for the city's development. However, these promises soon gave way to disappointment and confusion: the contract changed hands several times, the workforce was cut by more than half and operational failures accumulated.

Despite these shortcomings, the decision not to renew the contract did not come easily. In fact, a majority of the municipal council remained in favour of private sector involvement. What made the difference was the sustained campaign of local civil society groups and a handful of local politicians who pointed at the previous contract's flaws and at the operational failures of the private operators. Growing awareness of these problems forced a shift of the allocation of risks to the private sector, making it economically unattractive for private operators to bid on the new tender. And since no company was interested in taking on the full liabilities associated with the contract, the city had no choice but to take it back in-house.

This chapter explains why and how the privatisation occurred in the first place, followed by a detailed account of the remunicipalisation campaign and an assessment of the new water systems' achievements and challenges since.

Hamilton and its water systems

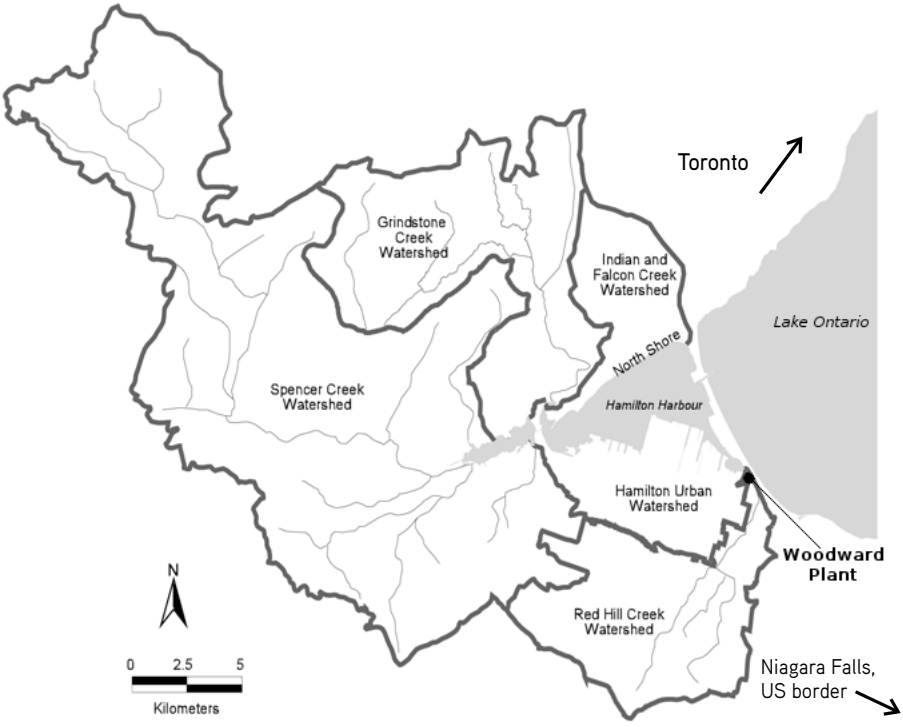
Hamilton is a medium-sized port city of 490,000 inhabitants located at the south-west end of Lake Ontario in Canada, halfway between Toronto and the US border. Founded at the beginning of the 19th century, the city became a heavy industry centre, developing large steel facilities producing 60% of the steel made in Canada. Although still prominent in Hamilton's skyline and air composition, the steel mills and their supplying plants no longer have the importance they once had in terms of employment and contribution to the region's wealth. The city is in the midst of an economic transition marked by its industrial pollution legacy, high unemployment and relative poverty (it has the lowest average household income in the province). A certain social polarisation can be observed between the working class neighbourhoods of the old city on the shores of Lake Ontario, and the relatively recent affluent ones perched on the Niagara Escarpment. The city was amalgamated with its six immediate municipal neighbours in 2000-2001, following pressures by the Ontario provincial government to cut administrative costs.

Hamilton gets almost all its water from a deep-water intake pipe in Lake Ontario, some distance offshore. Water quality in the Great Lakes was not always good – with neigh-

bouring Lake Erie being declared biologically dead in the 1970s – but according to current managers of the city's water systems quality at source is now satisfactory and the water only needs bacterial treatment to reach drinking quality (regulated at the provincial level). The quantity of water available has not historically been a problem, although increasing draw on the Great Lakes basin has been contributing to lower water levels, which could affect Hamilton in the future.

A unique feature of Hamilton's water systems is the fact that almost all drinking water and wastewater is treated in one combined plant, the Woodward plant next to the dyke between Lake Ontario and Hamilton Harbour (see map). First built in 1860, the plant has since supplied water to all Hamiltonians as well as sustained the city's industrial prosperity. On the downside, it has become one of the main point sources of pollution in the harbour, which was listed as a Great Lakes Area of Concern in the 1987 Protocol of the US-Canada Water Quality Agreement.[1]

Hamilton Harbour Watershed



Source: Adapted from the Hamilton Harbour Remedial Action Plan Report, 2010 update.

In 1994, an economic downturn put the municipality in a difficult financial situation, worsening an already burdensome legacy: the poor state of the water and wastewater infrastructure resulting from the lack of investment and maintenance by previous city managers. The systems were in dire need of repair and replacement, but little funding had been set aside for this purpose, and raising taxes is never an easy political decision, even less so during a municipal election year. This was the situation the councillors faced when they were approached by a local waste management and metals recycling company with almost no experience in water management, Philip Environmental, which proposed to take over the management, operation and maintenance of the water and wastewater plants. Philip Environmental promised savings on the systems' running as well as the creation of a world-leading water company through the biggest public-private partnership in North America's water sector at the time.[2] Attracted by the prospect of outsourcing the problem to a third party, convinced by lobbying efforts involving 'independent consultants', and seduced by the idea of potential personal gain,[3] city leaders signed a 10-year, $180-million contract on December 30, 1994, despite the opposition of unions[4] and most of the water services staff.

1994-2004: A study in water privatisation shortcomings

The public-private contract was signed between the Region of Hamilton-Wentworth and the newly created Philip Utilities Management Corporation (PUMC), owned at 70% by Philip Environmental and 30% by the Ontario Teachers' Pension Plan Board. This deal was the outcome of intense political networking; PUMC was presided by the former chair of the province's Liberal Party, Stuart Smith, who had previously headed a privatised federal research centre merged with Philip Environmental, the Wastewater Technology Centre.

This was the first contract of its kind in decades in Canada and it was signed without tender or public debate. PUMC was assigned the task to manage, operate and maintain the water treatment facility, the three wastewater treatment plants and the 129 pumping stations of the systems, the rest of the infrastructure (distribution network and laboratories) falling under public management. The idea behind the deal was that the Region of Hamilton-Wentworth would help PUMC become a global player in the water sector, in the hope that this would benefit the city at large. As the region's then-chief of water services put it, "the basis of the negotiations was essentially to develop a contract that would allow a local firm to develop expertise and experience in the contract operations of a major municipality's water and wastewater facilities, while providing the Region with a vehicle for economic development."[5]

Given that this contract was framed in a spirit of mutual cooperation rather than creating an arms-length relationship, it contained numerous clauses that provided for highly

unusual advantages to the private party. For instance, a clause stated that any expense above C$10,000 was considered a capital expense without further specification; reporting requirements to the city and the province were vague and no public disclosure of this type of expense was required. The city was to bear the cost of most capital investments but the benefits were returned to PUMC in very favourable cost savings allocations. Another remarkable point was liability exemptions: according to two comprehensive reports[6] PUMC could not be held liable for any accident arising from factors such as the plants' capacity limits, the effluents' quality or the city's failure to make "capital, regulatory or emergency expenditures."[7]

In return, the company promised to establish its headquarters in Hamilton, to develop environmental business and international training centres, to create 100 jobs in the region (this clause only applied to Philip Environmental, PUMC's parent company), and to maintain jobs at the facilities for at least 18 months.

But this mutual collaborative vision turned out to be naive at best, with PUMC's behaviour later proving plainly opportunistic. The first assessment by the regional government showed that,

> the performance of PUMC during its first year of contract operations has been significantly below expectations. The relationship has been consistently confrontational, difficult, tense and frustrating. In our opinion, PUMC's focus on this contract has been changing from a cooperative spirit of business development and economic development to one of profitability only.[8]

PUMC management practices in subsequent years were no better. In April 1996 the workforce was cut in half, from 120 to 60. In January 1996 the worst wastewater spill in the plant's history sent 180 million litres of raw sewage into the Hamilton harbour and surrounding areas, affecting homes and businesses alike. Yet PUMC avoided any liability thanks to the contract's wide exemptions, and the cleanup costs were borne by the city. Several other spills reported in the following years were accompanied by similar hands-off responses from PUMC. These accidents should not be seen as unfortunate exceptions but as part of an organised risk management practice: PUMC simply adapted to its legal, institutional and technical environment to extract as much profit as possible from the yearly C$18 million it received from the city to operate.

Technically, PUMC was in charge of the plants, reservoirs and pumping stations, but not of the pipes network. It therefore optimised its costs by pumping faster in non-peak hours, when electricity was cheaper, to fill the reservoirs. The problem is that by doing so PUMC increased pressure in the pipes to levels where there was no security buffer. During these times several main breaks occurred in the pipes network, including one

that affected a hospital and forced partial evacuation of patients, followed by a lawsuit against the city.[9] Additional evidence of technical tricks used to deflect costs was reported by interviewees for this research, with many reporting that PUMC let small maintenance issues (such as lighting) degrade to a point that its repair was costly enough (i.e. above the C$10,000 threshold) to fall under the city's contractual responsibility.

From a labour point of view, PUMC's employment guarantees were always short term. The massive downsizing of its workforce left several important infrastructure items frequently unmanned, delaying responses in cases of emergencies. In the case of sewage spills, public authorities complained they had not been warned in time on several occasions.[10]

Environmentally speaking, no improvement of the effluents quality was measured during PUMC's operations. On the contrary, ammonia and suspended solids levels in the Hamilton Harbour increased between 1992 and 1998[11] and the frequency of sewer spills increased. From an accountability and transparency point of view, the audited accounts provided by PUMC to the city were not public, preventing elected officials and citizens from accessing them. Union representatives claim that operational logs that monitored the functioning of the plants kept disappearing.[12]

In the end, the only promises PUMC actually kept were to move its headquarters to Hamilton and to expand into the North American municipal water market; it bought 18 other companies between 1994 and 1999, mostly in the United States. But the city of Hamilton appears to have benefited little from this corporate growth. According to a city councillor interviewed in 1998,[13] PUMC had not yet paid a single dollar in taxes.

PUMC's profits were therefore significant, but its parent company (with a name change to Philip Services) was experiencing major losses (C$1.6 billion in 1998 alone, among the highest in Canadian corporate history). Philip Services had grown quickly, using its good reputation in the financial markets to acquire several other companies, but fraud suspicions hung over one of its directors and triggered a sharp drop in the company's stock value, forcing it to sell assets and file for bankruptcy in 1999.[14] In March of that year, Philip Services sold PUMC for US$67 million to Azurix Corp, a subsidiary of Texas-based energy giant Enron,[15] created following the purchase of British company Wessex water in 1998, whose launch on public markets in June 1999 showed high ambitions in the water sector.

Those ambitions were short-lived. The company had overestimated its growth objectives, was managed by people unfamiliar with the water business, and proved no match for more experienced and well-connected international competitors.[16] In November 2001, weeks after the (unrelated) Enron accounting scandal[17] broke, the North America branch of Azurix was sold to US company American Water Works (AWW), then bought in

February 2002 by London-based Thames Water, the water group of the German energy conglomerate RWE.[18]

With each new acquisition, the Hamilton City Council had to approve the change of 'partner', but the contract "failed to include clauses providing options for the city in the event of mergers or takeovers by other companies,"[19] and it seems the promises made by PUMC were lost along the way. However, repeated problems, the successive change of owners and the arrival of global corporations to manage the city's water had raised public awareness about water and wastewater management issues.

The remunicipalisation campaign

In 2004, when the 10-year public-private contract came up for renewal, the picture had changed dramatically. The contract originally designed as a cooperative partnership between the city and a local company was now executed by a large foreign company owned by a giant multinational corporation. Moreover, the plants' workforce had been reduced from 120 to a new low of 54 employees, the infrastructure was poorly maintained and the Hamilton Harbour's water quality had not improved. The relationship between the city and AWW, though, had reportedly taken a more constructive tone as the renewal date approached.

In January 2004, city staff presented two distinct proposals to the Public Works Committee and the Hamilton City Council: signing a new long-term contract with a private operator following a public tender, or taking back responsibility for water and wastewater operations. The City Council opted for the former with a clear majority on the basis of typical arguments in favour of private sector efficiencies, innovation and expertise. Senior city officials were in favour of this option too, which was not surprising given that the 2000-2001 amalgamation of Hamilton and its neighbouring cities had seen the city's top managers appointed by pro-privatisation provincial leaders.[20] There was, however, a commitment to preparing a contract that would better serve the city's interests, and law firm Gowling Lafleur Henderson LLP was hired to write the Request for Proposals (RFP) and the Draft Service Agreement (DSA).

In the new contract, the city expected to pay the operator between C$12 million and C$17 million annually, compared to C$18 million with the first contract. Furthermore, companies submitting proposals were requested to comply with all criteria set out in the RFP and the DSA; they would be permitted to submit an alternate proposal at a later stage. Lobbying pressures by the private sector intensified, with various private sector experts brought along from other parts of Canada and abroad (notably by AWW's parent company, Thames Water, but also other potential bidders such as Veolia) to support the city councillors and managers in their decision to renew the contract.

Meanwhile, the city employees in charge of inspecting the plant made internal complaints about the facilities' deterioration and about the municipality's inability to do anything about it. The Canadian Union of Public Employees (CUPE), a vocal critic of privatisation, also put resources into a campaign to pressure the City Council to go back on its decision to contract another private operator. Within the City Council itself, progressive councillors expressed their dissent, including Sam Merulla who represented Hamilton's Ward 4 where the Woodward plant is located.

A civil society coalition called the Hamilton Water Watch Committee was also established. It gathered representatives from NGOs (Canadian Environmental Law Association, Council of Canadians, Canadian Catholics for Development and Peace, Environment Hamilton), labour organisations (CUPE and the local Labour Council), Hamilton East's Member of Parliament Sheila Copps,[21] and concerned citizens and academics in a related group called WATER (Watershed Action Toward Environmental Responsibility). The coalition attended City Council debates, organised events to raise awareness and brought some media attention to the issue.

However, councillors and the media appeared to show little interest in the critiques being made and the pro-public service coalition could not generate meaningful momentum to garner citizen support. The Hamilton Water Watch Committee then decided to change strategy and put its efforts into documenting the flaws of the previous contract and pressuring city bureaucrats to build up as rigorous a tender as possible, at least to limit the economic damage of a future contract. For instance, the coalition supported Councillor Merulla in making a Freedom of Information request[22] to the city to obtain data about the real costs incurred for water and wastewater operations between 1994 and 2004, notably to see to what extent the C$10,000 clause defining the limit between operating and capital expenses had been abused by the private operator. The data obtained came late and was difficult to interpret, but the move put pressure on the city managers to close this potential loophole in the RFP, which they partially did by raising the ceiling to C$20,000, with extra conditions that made it more difficult for a private operator to transfer maintenance costs to the city.

Another important tactic of the campaign was to put the spotlight on environmental liabilities, a particularly sensitive topic in the region after the accidental 2000 water contamination by E. coli in the neighbouring city of Walkerton that caused the death of seven residents. Responsible management of water-related environmental issues therefore featured high on the agenda, and repeated sewage spills drew negative attention to the private contractor. City officials also addressed this problem in the RFP by partially shifting the liabilities back to the private operator, asking for increased levels of insurance and indemnities in the case of an accident.

In the end, seven companies responded to the city's Request for Qualifications, a pre-screening step to identify interesting bidders, and four companies were short-listed to submit proposals in response to the RFP. Three did so: the existing operator AWW, the French company Veolia, and a Canadian engineering company called ATCO (Alberta-based, owned by global energy company Centrica).

ATCO's offer arrived too late and was rejected. Veolia's bid did not comply with all RFP requirements (the company apparently thinking there was still room for negotiation) and was thus disqualified. AWW's bid complied with the technical specifications but proposed a yearly C$39 million fee – two to three times the city's original expectations of a C$12-17 million contract fee! As a result, this bid was excluded as well. Interestingly, an "alternate bid" from AWW for C$13 million was then put forward, respecting technical conditions but asking that the environmental and maintenance liabilities be shifted back to the city. In other words, the premium they were asking for to cover their risks was about C$23 million, more than the contract's estimated value.

At this stage, there were no private companies left in the bidding process. The city could not consider AWW's "alternate bid" because it would make itself vulnerable to lawsuits by other bidding companies for breaking the RFP process rules. City staff, at this point, recommended bringing the water and wastewater operations back in-house as soon as the contract with AWW ended. On September 13, 2004, the council's Public Works, Infrastructure and Environment Committee voted 7 to 1 in favour of this option. The city's senior officials were reportedly strongly in favour of re-tendering in the beginning but, according to a city official familiar with the issue, they were shocked by the financial compensation asked by the private companies, which convinced them they could do it much cheaper through municipal management. This insight combined with the strong advocacy of the Hamilton Water Watch Committee probably explains why the City Council resisted the lobbying pressures by Veolia and AWW to reconsider its decision.

This was a major victory for the Hamilton Water Watch Committee and CUPE who saw the remunicipalisation option chosen despite the fact that the council was initially hostile to it. By putting pressure on the city to consider costs and liabilities seriously, it contributed to making the tender economically unattractive for private operators. The operators' risk aversion certainly helped. It was also a victory for Councillor Merulla:

> I'm very proud to say that on the first motion I brought forward on this issue, back in 2001, I couldn't even find a seconder, but within three years I was able to successfully do a great deal of work, not only from my part but that of a number of community groups. We were able to put enough pressure, from a public perspective, to have our bureaucracy not only recognise the importance of bringing [water] in-house from an ideological perspective, but also from a safety and fiscal perspective as well.[23]

However, it was a victory that needed to be defended. The council was dissatisfied, being ideologically doubtful of public management, and accompanied its decision with a requirement that the operations be reviewed on an annual basis by using as a reference the very document that was part of the private tender, the DSA. They argued that a review should be communicated annually to the council in a brief and accessible way, and any non-compliance would trigger a contracting-out process.

Back in public arms

Technical and financial performance

Ironically, the review requirement developed for the RFP proved to be a useful tool in enabling the council to follow operations at the plants more closely once operations were back under public control, providing an annual Report Card with stable indicators over time. Performance was thereby reported upon in clear and transparent terms. Year after year, reports documented impressive performance:

- In 2005 it described how city staff had managed to reach the best cumulated performance over the past 15 years at the treatment facilities while operating below the approved budget of C$27.7 million, bringing C$1.2 million savings to the city budget. A similar level of water and wastewater treatment performance would have cost the city C$195,000 in performance fees for the private operator according to the DSA.
- The 2006 performance report indicated that savings continued to improve, saving another C$185,000 in performance fees and C$950,000 on the approved budget of C$27.9 million.
- In 2007, performance and cost effectiveness increased yet again: $215,000 saved in performance fees and $2.34 million saved from the approved budget of C$30.5 million.
- The 2008 report documented only nine months of operation but showed performance fee savings of C$75,000 and budget savings of C$500,000 (from an approved budget of C$30.2 million).

The Report Card system was dropped after 2008 because investments at the plant had made it substantially different from what it used to be. But overall reports for the period 2005-2008 document total savings of C$5.66 million from the operating budget. The water department is now self-sustaining economically, with a separate budget from that of the city.

These savings were possible even after the city hired more than 20 workers to compensate for insufficient staffing at the plant. Seventy-five workers now operate the plant in nor-

mal and safe working conditions. Staff dedication is reportedly very strong now, despite difficulties in recruiting well-qualified new employees, a problem encountered throughout the global water sector.

Effluent quality also improved. Performance objectives were deliberately set at the highest technical levels possible for political reasons, to accelerate the city's compliance with the Hamilton Harbour Remedial Action Plan targets and to get the harbour de-listed as a Great Lakes Area of Concern. Ammonia levels in the Woodward plant effluents were reduced by half between 2004 and 2007, reaching an all-time low.[24] The management of water infrastructure was integrated with the Hamilton Harbour cleaning program and resource protection in general. According to Merulla: "Every decision that's made needs to meet a certain threshold related to the social, the health, and environmental aspects and that includes obviously the water and sewer treatment plant capacity."[25]

All problems were not remedied overnight, of course. Wastewater management remains structurally challenging because of combined wastewater and rainwater sewer systems in the lower city that send larger volumes of water into the sewers during heavy rains than the plant can process, forcing the release of insufficiently treated wastewater in the Harbour. The impacts of climate change – with more extreme weather events – are increasingly felt and shed light on the systems' limits: "In Hamilton, we struggle with the kind of wet weather we're getting these days because it totally knocks us off base for several days afterwards,"[26] complains a director of the service. The plant nevertheless produced the best effluent quality in its history in August 2010.

The now-prominent position of water and wastewater issues on the City Council political agenda is reflected in the vast investment program it embarked upon with the help of provincial and national authorities: C$500-600 million are to be invested in upgrading the plant and expanding its capacity from 2010-15, part of the C$1.5 billion[27] that is estimated to be needed between 2007 and 2017 to deal with the most pressing problems of Hamilton's water systems. This increased capacity is necessary to enable the plant to process the wastewater coming from new housing and commercial developments south of the city centre. Wastewater treatment will also be improved thanks to an enormous investment in tertiary treatment through the construction of one of the biggest membrane plants in the world; it will be combined with a second combined heat power plant running with the biogas collected during the sludge's digestion. A partnership between the city's water department and Hamilton's McMaster University was established to create a research centre on wastewater treatment with membrane technologies.

These projects come with their own controversies, however. The new wastewater treatment plant will require double its current power supply, generating concerns over its environmental impact. In addition, such a centralised wastewater treatment scheme also

means a concentration of the sludge's pollutants and constantly rising cleanup costs. Sludge disposal remains a problem as well. It was disposed on farm land beginning in 1996 when the city's incinerator was closed down but, as in most industrial countries, farmers are becoming increasingly reluctant to accept this sludge because of consumers' rising awareness of contaminant content. This local resistance, and rumours about upcoming provincial legislation forbidding such sludge application, has fuelled a debate about building a sludge incinerator, with two competing projects. First, the wastewater department managers are planning an expansion of the biogas reactor to generate energy out of the sludge's bio-solids, which would partly alleviate the energy requirement and the sludge disposal problems. Second, a private company, Liberty Energy, is pushing an incinerator project that would also service other municipalities, trucking in sludge from outside Hamilton. At the time of writing (late 2011), debate was still raging,[28] with arguments flowing about the unwanted extra pollution, the cost of another public-private partnership, the damage a 'sludge capital' tag could do to the city's public image, and questions about the transparency and safety of sludge application on farm land.

Transparency, accountability, solidarity

As demonstrated, the quality of the public water services reporting greatly improved, becoming more readable and also more reliable. Public access to information is also very good, with an impressively vast range of data on the service published on the city's website. This increased transparency is also a source of savings. In an in-house model, transparent evaluation of performance allows re-adjusting budgets annually, whereas in most public-private contracts the operator's annual fee is set once for the full period of the contract. Under such legal terms, good performance by a private operator is harder to verify and it would only profit the company, not the city.

Communication also became a priority of the service: "I can't imagine another community that does more communication with the public than we do. I think we're very good that way," [29] says a current manager, an assertion backed up by their actions and even a few awards[30] received in recent years. Among the many communication activities implemented, a few are quite telling:

- A call centre was established to provide information and record complaints.
- The increasing number of extreme weather events, flood-causing storms in particular, has led the service to run protective plumbing programs to encourage people to disconnect their home's downspout (the connection between the roof evacuation and the sewer) to try and reduce the volumes of storm water reaching the sewers network in case of heavy storms. A 'flood aware' education and awareness program was set up, proposing flood prevention and remediation tips and resources.

- A campaign encouraging Hamiltonians to drink tap water was launched by the city in 2010 to celebrate the service's 150 years of existence, a very worthy undertaking given the enormous financial and environmental cost of bottled water.

In general, the water department promotes the values of public service; for instance, the three first "values" mentioned in the 2010 business plan are "Equitable access to services by all citizens," "Honesty, transparency and accountability to Council and the community," and "Decision making in a responsible, integrated and inclusive manner."[31]

Problems remain, however. A consultative body established to communicate with the main water plant's neighbours (Community Liaison Committee, CLC) was closed and users say they have not found their way back to the utility's executives. The management says that this was because the CLC had become an "avenue for some to complain about everything," and that they got fed up with being confronted with systematic criticism when they thought they were doing their best: "It was never good enough."[32] According to one local environmental activist:

> Ironically, we were probably in a better position when the private contractor was in place because there were requirements imposed on them to meet regularly with people in neighbourhoods around the plant…There was a liaison committee that existed really to help people in the immediate neighbourhood to communicate back and forth with concerns and issues that they wanted to see resolved. When the system was remunicipalised, that communication was cut off.[33]

The city now organises one or two open house days per year at the plant, a much more limited channel of communication with the community.

The city nevertheless develops solidarity programs. It manages a fund to help poor people pay their water bills and is proposing loans and grants to help the owners of old homes in the lower city replace their lead connections and pipes (although the fund is modest, only 500-1,000 connections replaced every year of the estimated 24,000 that need new connections). An international solidarity campaign to develop drinking water supply in rural areas in Haiti, headed by the water department, was also launched and is still in operation. A few Mexican water engineers also came to the department for training as part of the solidarity programs.

Public service?

At the time of writing there does not appear to be any campaign to re-privatise water services. On the contrary, all interviewees said that such a move is extremely unlikely, with memories of the failures of the private contractor still vivid and the clear advantages gained by the city in taking the services back in-house having received widespread media coverage.

Notwithstanding this apparent shift to a public ethos, other municipal services, for instance waste collection, continue to be outsourced or set up as public-private partnerships, and the ideological commitment to privatisation still simmers at or near the political surface. There is also a notable trend toward corporatisation of the water service. The billing department was incorporated in 2001 into Horizon Utilities Corporation (HUC), a public electricity company that services Hamilton and neighbouring St. Catharines, and the city acquired 65% of shares through its public company Hamilton Utilities. HUC now collects the bills for both water and electricity. As a result, some Hamiltonians do not realise that their water is publicly managed since HUC behaves and communicates much like a private corporation. This institutional shift was justified on the grounds of cost saving by authorities. However, unionists argue that this corporatisation has caused problems in skills and information sharing between water technicians and bill collectors, decreasing the efficiency of the organisation as a whole. Indeed, the fact that the plant remains publicly managed probably owes less to an ideological shift toward public ownership, or democratic accountability, than to the plant's good technical and financial performance. On the whole, the majority of Hamilton's City Council is still in favour of private sector involvement in public services, or commercialising what is publicly run.

Conclusion

Despite these concerns, the remunicipalisation of Hamilton's water systems was a major victory for 'public' water movements. Not only has it helped shed light on the often opaque, undemocratic and predatory realities of privatisation, it has given hope to those fighting to reclaim their public services in the face of powerful corporate lobbies and ideologically hostile politicians, by showing them that hard economic facts were on their side once the allocation of risks and profits were clearly defined. The Hamilton experience has also shown how effective and efficient public water management can be, and how quickly things can change when political will and coordinated resistance exist.

Hamilton's water systems are still far from perfect, though, with a technocratic approach to management that might endanger their 'publicness'. Extending these reforms and deepening democratic engagement with the citizens of Hamilton will be critical to sustaining and expanding the public nature of water management in the city and resisting pressures to commercialise the system: public ownership and staff dedication are very important, but public management that thinks beyond the narrow confines of cost recovery is equally critical.

This commitment to 'publicness' is all the more important given Hamilton's long-term infrastructural challenges in the water sector, and the financial pressures associated with it. Major infrastructure upgrades have resulted in significant water tariff increases (7-8%

a year from 2005-2008 and 4% yearly since 2009) but the fact that water services are financially ring-fenced makes it difficult to think more holistically about long-term investment strategies and how these should be paid for. The fact that water and sanitation touch on all aspects of life and link to other services run by the city and other levels of government makes the need to think broadly about the nature of a 'public' service all the more important. The remunicipalisation of water can therefore be used to raise awareness about the need to see public services in their totality and the potential synergies among them, not as silos of activity to be hived off like independent corporations. In this respect, the success of water systems' public management in Hamilton can be used as a launch pad for a larger dialogue on the meaning of 'publicness' and resisting commodification and privatisation in other aspects of people's lives.

Endnotes

1 International Joint Commission, United States and Canada (1978) *Great Lakes water quality agreement*. http://www.ijc.org/rel/agree/quality.html (accessed 12 December 2011).

2 Anderson, J. (1999) *Privatising water treatment: The Hamilton experience.* Report prepared for the Canadian Union of Public Employees (CUPE), January; Loxley, S. (1999) *An analysis of a public-private sector partnership: The Hamilton-Wentworth – Philips Utilities Management Corporation PPP.* CUPE Report, September. http://cupe.ca/updir/Utilities-Hamilton-Wentworth%20P3.doc (accessed 12 December 2011).

3 Several of the region's management staff who helped negotiate the initial contract moved to Philip after the deal was struck, see Anderson (1999), *op.cit.*

4 The two plant workers' unions were the International Union of Operating Engineers (IUOE), representing the majority of staff, and CUPE.

5 Leo Gohier, Acting Commissioner, Regional Environmental Department, quoted in Anderson (1999), *op.cit.*; Loxley (1999), *op. cit.*

6 Anderson (1999), *op.cit.*; Loxley (1999), *op. cit.*

7 Contract between the Regional Municipality of Hamilton-Wentworth and PUMC and Philip Environmental Inc., section 3:04, quoted in Anderson (1999), *op.cit.*

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9 *The Hamilton Spectator* (1998) HHSC sues city, region: Water leak caused hospital evacuation, 20 October.

10 Anderson (1999), *op.cit.*; Loxley (1999), *op. cit.*; *The Hamilton Spectator* (1999) Sewage spill has mayor fuming: Addison upset that region didn't inform Dundas staff, 12 January.

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12 G. Hoath, Hamilton's representative for the International Union of Operating Engineers, author interview, 29 September 2010.

13 Anderson (1999), *op.cit.*; Loxley (1999), *op. cit.*

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16 Frost & Sullivan (2001) *Azurix: what went wrong?* 25 January. http://www.frost.com/prod/servlet/market-insight-top.pag?docid=RTOS-4U75H5 (accessed 12 December 2011).

17 Enron filed for bankruptcy in October 2001 – the largest in US history at the time – after a series of irregular accounting procedures bordering on fraud were revealed.

18 Global Water Intelligence (2002) *AWW shareholders approve merger with RWE*, February. http://www.globalwaterintel.com/archive/3/2/general/aww-shareholders-approve-merger-with-rwe.html (accessed 12 December 2011).

19 Ohemeng, F.K. and Grant, J.K. (2008) When markets fail to deliver: An examination of the privatization and de-privatization of water and wastewater services delivery in Hamilton, Canada. *Canadian Public Administration* 51(3): 475-499.

20 The city's top manager back in 2001, Doug Lychak, was apparently so blatantly in favour of public services privatisation that CUPE launched a public campaign to demand his dismissal. Lychak went to work for a pro-PPP lobby group, the Canadian Council for Public-Private Partnership (CCPPP), right after this.

21 *The Hamilton Spectator* (2004) Copps warns of water woes; Contracting out of water and sewage treatment plants puts 'public health at risk' says Hamilton East MP, 27 January.

22 *The Hamilton Spectator* (2004) Group helps fund Merulla's FOI request, 22 May.

23 Sam Merulla, Councillor, Hamilton City Council, author interview, November 2010.

24 Hamilton Harbour Remedial Action Plan (2010) *Contaminant loadings and concentrations to Hamilton Harbour: 2003-2007*. Update, January.

25 Sam Merulla, author interview, *op.cit.*

26 Dan McKinnon, Director of Water and Wastewater Operations, Public Works, City of Hamilton, author interview, 4 October 2010.

27 City of Hamilton (2007) *2007 Rate book & Services overview*. Hamilton: City of Hamilton. http://www.hamilton.ca/CityDepartments/PublicWorks/WaterAndWasteWaterDev/Rates/2007Rate.htm (accessed 12 December 2011).

28 *The Hamilton Spectator* (2011) City council is up to its neck in sludge, 16 May.

29 Dan McKinnon, author interview, *op.cit.*

30 Hamilton's Water and Wastewater department received awards for the quality of its communication material, planning and reporting in 2008, 2009 and 2010, see http://www.hamilton.ca/CityDepartments/PublicWorks/WaterAndWasteWaterDev/Contact+Us/AwardAndRecognition.htm (accessed 12 December 2011).

31 City of Hamilton (2010) *Water and wastewater business plan 2010-2012*. Hamilton: Hamilton Public Works Department.

32 Dan McKinnon, author interview, *op.cit.*

33 Lynda Lukasik, Director of Environment Hamilton, author interview, 1 October 2010.