The intersection of water privatization and public participation in the United States: A case study of the Indianapolis Water Company Indianapolis Indiana

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THE INTERSECTION OF WATER PRIVATIZATION AND PUBLIC PARTICIPATION IN THE UNITED STATES: A CASE STUDY OF THE INDIANAPOLIS WATER COMPANY, INDIANAPOLIS, INDIANA

by

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presented in partial fulfillment of the requirements

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May 2005

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The privatization of water by transnational corporations (TNCs) has been a growing trend around the globe in recent years. Due to this trend, a handful of TNCs have come to dominate the water market. Recently, they moved into one of the world’s largest economies, the United States. One U.S. city, Indianapolis, Indiana, entered into a public-private partnership with TNC Veolia for the management of its water utility, the Indianapolis Water Company, in April 2002. This study investigates the details of this partnership and the “authenticity” of public participation throughout the decision-making process to form the partnership and in following years (King, Felty, and O’Neill 1998).

Public participation in the decision-making process to form the partnership was characterized by a lack of transparency, poor timing of the participation, and a lack of public outreach, indicating “unauthentic” participation overall. This mirrors many of the cautions found in public participation literature. The first two and a half years of the partnership have produced mixed results with respect to authentic participation. While a lack of transparency and public outreach continues, positive developments have also occurred. These include Veolia’s support for public input into its operations, the continuing growth of advisory groups, and the connection between the Citizen’s Advisory Group’s evaluation of Veolia and a percentage of Veolia’s incentive payments. Whether these new developments will produce authentic public participation remains to be seen.

The IWC partnership offers interesting insights into traditional definitions of “public” and “private.” In this case, study participants perceived the public partner negatively overall with regards to public participation, while Veolia, the private partner, was perceived to be more welcoming to public input. Concerns about utility employees are not adequately addressed in the literature, and have been a contentious and important issue in this case. Further case studies, comparisons across case studies, and more investigation into public participation in these partnerships would be useful for increased understanding of water privatization in the U.S.
ACKNOWLEDGEMENTS

While writing this thesis has largely been a solitary task, I could not have completed it without the assistance and support of many people. All three members of my thesis committee — Dr. Neva Hassanein, Dr. Jill Belsky, and Dr. Robin Saha — have provided invaluable comments, suggestions, and input throughout the entire research process. In particular, my committee chair, Dr. Neva Hassanein, has been a source of critical questions and contributions. I have always appreciated her wise words of advice, gentle prodding, and high expectations.

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Lastly, I want to thank the participants in this study. They were enormous gracious and forthcoming during their interviews, and made collecting my data a surprisingly smooth process. I have tried my hardest to present their views accurately. Any mistakes about events or details of the IWC partnership, or inaccurate interpretation of the study participants’ views, are entirely my own.
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LIST OF ABBREVIATIONS

CAC – Citizens Advisory Committee
CAG – Citizens Advisory Group
GATS – General Agreement on Trades in Services
IFC – International Finance Corporation
IMF – International Monetary Fund
IURC – Indiana Utility Regulatory Commission
IWC – Indianapolis Water Company
MIGA – Multilateral Investment Guarantee Agency
NAFTA – North American Free Trade Agreement
NCPPP – National Council on Public-Private Partnerships
NRC – National Research Council
SAP – Structural Adjustment Program
TAG – Technical Advisory Group
TNC – Transnational Corporation
UN – United Nations
Unigov – Unified Government of the City of Indianapolis and Marion County
WB – World Bank
WTO – World Trade Organization
CHAPTER ONE

INTRODUCTION

A new phrase was recently coined. In 2000, people in Cochabamba, Bolivia began to talk about “leasing the rain.” Leasing the rain? Controlling water that falls out of the sky? It turns out their perception was entirely correct. A transnational corporation had recently taken control of the water supply in Cochabamba. People who for centuries had freely collected and used rainfall as their water source were now forbidden to do so without proper payment. Those connected to the main water supply system saw their water rates increase dramatically. Understandably upset for these and other reasons, the people of Cochabamba took to the streets in protest, leading to the eventual withdrawal of the corporation and the return of the water supply to public hands. While this is an abbreviated version of events, the story of Cochabamba is perhaps the most well-known and often-cited example of a new phenomenon in the ongoing quest to provide clean water to the world’s people: the privatization of water into the hands of transnational corporations.

Throughout its tenure, water privatization has seen both success and failure. It has made a handful of corporations powerful and rich. It has been both the subject of passionate protest and touted as the answer to the world’s water problems. It has forged relationships and spawned leaders on both sides of an often-contentious debate. In addition, it has recently expanded into one of the world’s largest economies, the United States.

While many U.S. citizens have likely never heard of Cochabamba, increasing numbers of them have something in common with these Bolivians: the management of
their water supply by a transnational corporation (TNC). One such group of U.S. citizens are the customers of the Indianapolis Water Company (IWC) in Indianapolis, Indiana. In April 2002, the City of Indianapolis simultaneously bought the IWC (which was until then a shareholder-owned private corporation) and contracted out management of its operations to USFilter, a subsidiary of French-based TNC Vivendi Environment (now known as Veolia). There are, then, some important differences between the two cities. Cochabamba’s water was owned and managed by a TNC whereas the IWC is now publicly owned and privately managed. The concept of “leasing the rain” per se is not an issue in Indianapolis as it was in Cochabamba. One aim of this study, therefore, is to further investigate the IWC partnership, including how it was formed and its ongoing dynamics. While both cities are part of the larger trend of water privatization, this study focuses on water privatization in the U.S. and specifically the partnership in Indianapolis, Indiana.

Around the globe, water has traditionally been a public resource or public good. Water is a resource required by all living things; thus, throughout history its management has tended to be entrusted to governments. If people live beyond the boundaries of established cities, or are not interested in being connected to an established water supply infrastructure, they have usually been free to collect water on their own or sink a well for their own use. Certainly, there are important issues of water rights, including surface and subsurface rights, which also play into some situations. In general, however, private involvement in supplying water has been limited to small-scale operations, and has been regulated by public agencies. With more large scale involvement of the private sector, and especially TNCs, in recent years, how the public will continue to be involved in their
water supply in these situations has become unclear. When water is publicly owned and managed, there are usually clear guidelines for public input and involvement in decision-making. When water is publicly owned and privately managed, as in the case of Indianapolis, do these guidelines change? Are new policies for public involvement put into place? Does the public have input into decision-making of both the public and private partners? While these questions will no doubt be answered differently in different locations, this study is an effort to begin answering them with respect to one place.

The main goals of the study, then, are two-fold: 1) to investigate the details of how the Indianapolis Water Company is now publicly owned and privately managed in Indianapolis, Indiana and, 2) to determine whether public participation has been “authentic” in the IWC partnership (King, Felty and O’Neill 1998; a discussion of what is meant by “authentic” occurs in Chapter Two). Thus, this study seeks to answer the question: to what extent were public participation processes authentic in the formation of the IWC partnership, and what are the prospects for ongoing authentic participation as the partnership continues? To answer this overarching research question, I formulated four sub-questions:

1) How do key players in Indianapolis view the decision-making process to form the public-private partnership for the IWC, including what went well, concerns, and opportunities for public involvement?

2) What are the views of key players on why Indianapolis decided to form a public-private partnership for the IWC, as compared to other management options?
3) What do key players see as the main benefits and concerns about the partnership during its first two and a half years of existence?

4) How do key players view the ongoing avenues for public participation in the partnership?

Through thorough investigation of these questions and the overarching central research question, I hope to describe and analyze the IWC partnership through the voices of key players there.

The temporal scope of this study is from when the City of Indianapolis decided to buy the IWC in July 2001 through August 2004, when the interviews of key players took place. While relevant background information about water privatization in the U.S. is presented in Chapter Two, this study is concerned primarily with the events in Indianapolis, and the views, perspectives, and opinions of key players in the IWC partnership.

**Personal Motivations**

Before outlining the subsequent chapters of this thesis, I want to briefly explain my personal motivations for this study and its design. I have an ongoing interest in corporations in general, along with the growth of a small group of transnational corporations that have amassed an incredible amount of power and wealth in recent years. When I first learned of their involvement in water supply systems in the Third World, I was intrigued by this development and possible negative consequences for the world’s poor. I strongly believe in water as a human right, something that every living thing is
entitled to, even if the water's cost has to be subsidized by governments. Thus, I was interested in how low-income populations are being affected by the involvement of the private sector in their water supply. Investigation into water privatization in the Third World inevitably led to the recent development of water privatization in the U.S., my own country. Wanting to learn more about how TNCs had entered the U.S and where they were operating, I began some initial background research. This research led, however, to minimal information of any depth or substance, especially with regards to descriptions of U.S. cities that had privatized their water. My exposure to qualitative research and in-depth interviews contributed to a desire to learn more about the actual experiences and perspectives of people who have been involved with and impacted by water privatization in the U.S. I am also a fan of story-telling and wanted to tell the story of a particular city and its experience with water privatization. Lastly, my initial background research indicated that an in-depth case study might be useful to the larger literature on these topics and could perhaps provide some useful lessons for others in the future.

**What's To Come?**

The bulk of this thesis is presented in the following five chapters. Chapter Two is a review of relevant literature on privatization in general, water privatization in particular, and public participation. This includes background on water privatization in the Third World, the entry of TNCs into the U.S. water industry, and theoretical and scholarly research on public participation and privatization. Chapter Three is a description of the study design and methodology, including a more thorough description of the critical
events in Indianapolis. Chapters Four and Five present the research findings. Chapter Four addresses study participants' perspectives on the decision-making process to buy the IWC and form the public-private partnership. Chapter Five focuses on the first two and a half years of the partnership and ongoing avenues for public participation. Finally, Chapter Six synthesizes the relevant background information and research findings, closing with possible implications and conclusions.
CHAPTER TWO

U.S. WATER PRIVATIZATION AND PUBLIC PARTICIPATION IN CONTEXT

To provide a thorough framework for this study, this chapter reviews the historical, political, social, and theoretical contexts of both water privatization and public participation. Without context, it is difficult to view the public-private partnership in Indianapolis outside of its own small scale. Thus, this chapter will describe and evaluate a series of topics that will lead to a more thorough justification for this study. Through reviewing the relevant literature, the purpose of this study and what it will add to this supporting material will become clear. The bulk of this chapter will deal with water privatization, followed by discussion of the role and importance of public participation, with the intersection of these two topics forming the conclusion.

First, I briefly discuss the current global water crisis and the debate revolving around water as a right or need. These topics are philosophically more relevant to the global scale, rather than the local scale of Indianapolis; however, they also represent larger trends and issues that have directly and indirectly influenced events in Indianapolis and the perspectives of key players there. Second, I describe water privatization internationally, including the role of neoliberalism, the rise of a few transnational corporations (TNCs) in the water industry, and events that have led these corporations to seek out new markets in the U.S. Third, I address water privatization in the U.S., including a short history of U.S. water utilities, how TNCs have accessed the U.S. market, other U.S. cities that have engaged in these partnerships, and the existing literature that has evaluated these partnerships. Finally, I discuss the theoretical foundations for both privatization and public participation. This discussion of theory is
important for linking this study to the larger academic literature and placing the events in Indianapolis in a broader theoretical context. It also proves important during the presentation of the study findings in Chapters Four and Five when connections are made between the perspectives of the participants and larger issues in water privatization and public participation.

Global Water Resources Issues

The Freshwater Crisis

The world is currently in a freshwater crisis. While only 1/2 of 1 percent of the world's water can be used for human consumption, we are further limiting this amount with pollution, increased consumption, and population growth (Clarke and Barlow 2003). Currently one billion people lack access to clean water worldwide, with 2.5 billion people lacking access to adequate sewage and sanitation services (Public Citizen 2003a). Furthermore, approximately two million people die every year from cholera and diarrhea, ailments transmitted through unclean water, the vast majority being children (Public Citizen 2003a). Given this crisis, what is our water being used for? Ten percent of the world's water is used by individual households and municipalities, 20-25 percent by industry, and 65-70 percent for irrigation of primarily industrial farming, with demand only increasing as the world population grows (Clarke and Barlow 2003). However, the ten percent used by households and municipalities is often desperately sought after, and has been the focus of much debate within global institutions.
Defining Water and Privatization

**Water.** One such debate revolves around whether water should be considered a human right or a human need. This boils down to definitions. Defining water as a “right” leads to one set of policies and laws, such as subsidizing the cost of water for those who cannot afford it; on the other hand, defining water as a “need” could lead to the denial of water to those unable to pay for it. Each definition has different consequences, and often, due to the life-sustaining nature of water itself, these consequences can become an issue of life and death.

Rothfeder (2002:78) makes this distinction even clearer by arguing:

The question of right versus need isn’t a tiny semantic distinction or an intellectual argument with little significance in real life. The day-to-day living conditions endured by millions of people — and for some, their survival — as well as the growing gap between water haves and have-nots, are directly tied to the outcome of the debate over whether water is a right or a need. Moreover, *global water management policies...are being crafted and funded based on its conclusions.* The clear-cut boundary between right and need may not be immediately obvious, but upon reflection the two words are found to be indeed strikingly opposite. A right is an entitlement; it cannot be denied without sanctions. A need, by contrast, is something that is both necessary and desired but by no means guaranteed...Simply put, if water is merely a need, then the existence of a universal right to enough freshwater for an acceptable quality of life can be denied [italics added].

Taking Rothfeder’s analysis one step further, since water privatization involves the private sector, hence issues of private property, it also may allow for the exclusion of people’s access to the property (water) in question. As one participant in this study noted, “Private gives you the right to exclude people.” Whether this exclusion is actually occurring depends on the location in question and the policies and laws of specific governments. Even a cursory look at water privatization cases around the globe indicates
that water privatization has limited people's access to clean water, and a source of this limited access may ultimately extend back to something as simple as how water is defined (see Finnegan 2002 for a discussion of Cochabamba, Bolivia and Vogt 2003 for information on Johannesburg, South Africa).

Rothfeder (2002) continues by describing how even the Universal Declaration of Human Rights, passed by the United Nations in 1948, does not explicitly declare water a human right. As a result, both the World Bank and the United Nations (UN) have defined water as a “human need,” the World Trade Organization (WTO) as an economic “good,” the North American Free Trade Agreement (NAFTA) as an “investment,” and the General Agreement on Trade in Services (GATS) as an “environmental service” (Barlow and Clarke 2002). All of these definitions enable private corporations to treat water as a commodity and use international trade rules and policies to support their entry into the water market. Given that global water management policies are being designed based in part on how we define water, these policies have also enabled a small set of TNCs to gain a considerable amount of wealth, influence, and power in the water market (Rothfeder 2002). These TNCs are discussed further below.

**Privatization.** Defining privatization is also important. It is an often-used and often-murky term that can mean a variety of things in various contexts. The word “privatization” in the context of water is defined by Gleick et al. (2003:1) as “transferring some or all of the assets or operations of public water systems into private hands” (a more general discussion of privatization occurs in the second half of this chapter). The key words in this definition are “some or all,” as privatization can mean a spectrum of
arrangements between private and public entities. Corporations can actually own the
water system and the water resources, meaning that the only way to gain control is to buy
the water system back. The more common form of privatization is a “public-private
partnership” where the public retains ultimate control of the water system but
management of the system is contracted out or leased to a corporation for a specified
amount of time. This is an important distinction. Privatization does not necessarily mean
ownership, as is commonly thought. Especially in the U.S., the most frequent form of
new water privatization is a public-private partnership, where the water utility remains
publicly owned but is operated and/or managed by a private partner. The National
Council for Public-Private Partnerships, based in the U.S. (NCPPP 2003:1), describes this
arrangement as a:

...contractual agreement between a public agency (federal, state or local)
and a for-profit corporation. Through this agreement the skills and assets
of each sector...are shared in delivering a service or facility for the use of
the general public. In addition to the sharing of resources, each party
shares in the risks and rewards potential in the delivery of the service or
facility.

How specifically the public agency and the corporation “share” responsibilities, revenues,
risks, rewards, and accountabilities is not specified in this definition. Therefore, each
example of privatization is different.

The watchdog group Public Citizen (2003b), on the other hand, distinguishes
between “public” and “private” by defining a publicly-controlled utility as providing
universal access and fair procedures (i.e., denying access to water is not an option) and
promoting public participation in operations and decision-making. Contrastingly, a
privately-controlled utility can choose to provide limited access, often challenges

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consumer rights, does not promote public participation, usurps local control, and has profit as its primary operating motive. As we will see in the case of Indianapolis, these definitions are perhaps too simplistic. For instance, publicly-controlled utilities do not necessarily promote public participation, nor do privately-controlled utilities necessarily inhibit it. It is the potential for these role reversals and new dynamics that this study is in part addressing.

**Water Privatization throughout the Globe**

To address the global water crisis, many leaders in the World Bank, the WTO, and the International Monetary Fund (IMF) have been promoting and increasingly requiring privatization of publicly-held water systems. This trend is largely driven by the rise of neo-liberalism, that is, the economic philosophy of advocating broad adherence to free-market policies and privileging private over state institutions. A short discussion of these institutions, and how their policies have enabled a few TNCs to gain the vast majority of the water market share, is important because it is these same TNCs that are now operating in the U.S. market, including in Indianapolis. Indeed, according to Marsden (2003:1), a large investigation by the International Consortium of Investigative Journalists, "showed that the enormous expansion of these companies could not have been possible without the World Bank and other international financial institutions."

**The World Bank**

The World Bank primarily promotes water privatization in Third World countries through Structural Adjustment Programs (SAPs) that often take the form of loan
conditions (Shiva 2002). For instance, if a country requests a loan from the World Bank for improvements to its water supply system, the Bank makes this loan conditional on "reduced government spending, increased privatization options, and open[ing] up to...foreign investment," or actually changing the "structure" of the country's government and economy (Public Citizen 2003c). To illustrate this, a study by the International Consortium of Investigative Journalists in 2002 showed that 30 percent of 276 World Bank water supply loans from 1990 to 2002 required privatization, the majority being in the last five years (Marsden 2003).

Furthermore, two agencies under the World Bank and the IMF, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), lend exclusively to private corporations for "development" projects such as water privatization (Public Citizen 2003c). Grusky (2003) contends that historically there have been a high proportion of loans and guarantees by the IGC and the MIGA towards private investment in electric and telecommunications utilities (second to banking and finance) and that they are currently working to increase similar investments in water utilities. These agencies do not lend to governments or community organizations.

Another role that the World Bank plays is as a self-proclaimed "Knowledge Bank." It is regarded by many non-governmental organizations, academics, development agencies, and the U.N. as one of the primary sources for information, data, and theories on Third World countries. Some argue that this role as an information or knowledge source is one way the World Bank disseminates many of its neo-liberal, market-based solutions and perspectives (Grusky 2003).
The World Trade Organization

In contrast to the World Bank, the WTO primarily promotes water privatization through free-trade rules, mainly embodied in the General Agreement on Trades in Services (GATS). In general, the GATS "promotes free-trade in services, including water, food, environment, health, education, research, communication, and transport" (Shiva 2002:93). Some of the policies in the GATS allow corporations to sue countries when their domestic policies prevent free-market entry, prohibit governments from making distinctions between local suppliers and transnational corporations, and forbid governments from requiring corporations to involve or hire local people for their operations.

The Rise of Global Water Corporations

Through a multitude of mechanisms, but primarily through the policies of the WB and the WTO described above, a handful of TNCs have expanded into the global water market in approximately the last fifteen years. These include the three largest water corporations: Vivendi Environment, Suez Lyonnaise des Eaux/Ondeo, and RWE-AG/Thames (National Research Council 2002). These TNCs have realized that given the world's freshwater crisis, their involvement in providing water is a sound long-term investment and a way to ensure prolonged profits. For instance, Yves Picaud, manager of African operations for Vivendi, said with respect to the recent interest in the water market, "I think it's because it's a stable one. It's a long-term one. You have no surprise. One thing we are sure: everybody drinks water every day, or uses water every day" (National Public Radio 2003).
Interestingly, many of the TNCs that proclaimed such faith in the “growth potential,” longevity, and stability of the water market have recently experienced contrary results in the Third World. According to Kitchens (2003:26), Suez “wrote down nearly $500 million of its investment” in Argentina’s water supply in 2002. Furthermore, the article reports, “With its share price down almost 40% in the past year, and with the company expected to post a loss for 2002, Suez needs to find ways to increase profitability.” A new trend to achieve “profitability” is to pull out of partnerships in Third World countries in favor of investment in more stable economies such as the United States.

U.S. Water Privatization

A Short History of U.S. Water Utilities

Water privatization in the U.S. is not technically new. According to the National Research Council (NRC 2002), as the Industrial Revolution boomed during the nineteenth century, larger water systems were needed to accommodate the growing population. Private water suppliers stepped in to fill the demand. As it became understood that water was a major vehicle of disease, especially in the expanding cities, public agencies then began to take over the water supply. The number of water supply systems in the U.S. grew from 83 in 1850 to over 3,000 by the turn of the 20th century, when there was an almost even split between public and private systems (Carlisle 1982 and Baker 1948 in NRC 2002). From 1900 on, the number of public systems outpaced the private ones, with most private companies operating on a smaller scale in rural areas and public systems serving the larger, more populous metropolitan areas. Furthermore,
the private companies came under the jurisdiction of regulatory commissions in the 1870s. This development was driven by the realization that water companies, like all utilities, are monopolies. Regulatory commissions imposed financial constraints on the companies, approved their rate structures, ensured them a reasonable profit margin, and shielded them from the influence of local politics (NRC 2002). These private companies were also largely owned by “individuals, families, real estate development firms, or mobile home park operators,” with only a handful being “public” companies that issued stock to investors (NRC 2002: 37).

Today, a similar picture exists. There is still a mix of public and private water utilities in the U.S. The NRC (2002) reported that approximately 54,000 “community drinking water systems” operate in the U.S., with any water system that serves more than 25 people qualifying as such under U.S. Environmental Protection Agency guidelines. Approximately 85 percent of these systems serve only 10 percent of the population, meaning that the majority are quite small (3,300 or fewer people served); the other 15 percent serves 90 percent of the population. The largest systems (347 as of 1999), serving more than 100,000 people (the class Indianapolis falls in), constitute only 0.6 percent of the total number of water systems yet they serve 44.3 percent of the population.

According to the NRC (2002), forty-three percent of U.S. water utilities are public systems (owned and operated by public governments), 33 percent are private systems, and 24 percent are ancillary systems (meaning they deliver water but not as their primary business, such as in a retirement community). Of the private systems, only 22 percent (approximately 4,000) are investor-owned. Finally, the NRC (2002:15) also notes that “the actual proportion of water services provided by private water companies, whether
measured by customers served or by volume of water handled, has remained relatively steady in the United States since World War II” at approximately 14 percent.

In summary, these statistics emphasize that “privatization” per se is nothing new to the U.S. Private water utilities have been in existence as long as water utilities have. The key difference today is the growth of public-private partnerships, and the increasing trend of the private partner being an American subsidiary of a transnational corporation, namely the largest three – Suez/Ondeo, Vivendi Environment, and RWE-AG/Thames – mentioned above.

**Entering the U.S. Market**

A host of factors make the U.S. an enticing market for these TNC’s. These include: 1) only 14 percent of Americans currently receive their water from a private corporation, as indicated above, 2) the U.S. has one of the highest rates of water consumption in the world, 3) the U.S. water market has annual revenues of up to $90 billion, and 4) the U.S. has a relatively stable economy (McConnell 2004; Public Citizen 2003a). This has resulted in almost a complete buyout of U.S. water corporations by TNCs. Vivendi Environment took over USFilter in 1999, Suez/Ondeo bought United Water in 1999, and RWE-AG/Thames acquired American Water Works in 2003 (Barlow and Clarke 2002). These acquisitions have also included various name changes, divestitures of assets, and mergers, making the tracking of these corporate structures an ongoing process.

These three TNCs have utilized a multi-pronged approach to access the U.S. market. This has primarily involved: 1) buying out American companies that are already
involved with managing various aspects of municipal water systems, and then 2) actively seeking new contracts with municipalities that are looking for ways to finance and manage their public water utilities. The first strategy resulted in the transfer of many water systems in the U.S. to the control of a transnational corporation without any public input. The second strategy has resulted in a spectrum of public-private partnership contracts with varying success rates. In the case of Indianapolis, Vivendi Environment used both strategies. After they bought the corporation USFilter, which already had some privatization contracts, they then successfully bid on a new contract with Indianapolis. In addition, the subsequent sale of some of USFilter’s assets and other internal restructuring resulted in a recent corporate name change from USFilter to Veolia (the corporation is referred to by both of these names in the findings).

These corporations have also made a considerable effort to influence the U.S. Congress and federal legislation as an indirect strategy to further enable their entry into the U.S. market. Research conducted by the Center for Public Integrity discovered that from 1995-2002, the water industry spent almost $2 million on Congressional campaign contributions, over 50 percent of which came from United Water (Suez) and American Water Works (RWE-AG). They also spent $2.4 million on lobbying efforts. In general, water privatization proponents outspent opponents twelve to one from 1996-2002 (Hobbs 2003).

Interestingly, in 2002, Senate Bill 1961, or the Water Investment Act, passed without anticipated provisions that would have required cities seeking federal funding for upgrades to their water supply system to formally consider privatization as an option. This provision of the bill was stripped due to pressure from various groups, including the
American Federation of State, County and Municipal Employees (AFSCME) (Hobbs 2003; AFSCME 2002). However, the fact that such provisions in the bill were considered is worth noting.

Another important development was a change in the U.S. tax code in the mid-1990's. Before 1997, the U.S. tax code penalized cities by revoking their tax-exempt status if they contracted with private corporations for any reason for more than five years. Then, due to intense lobbying efforts by both private corporations and municipalities facing budget shortfalls, this limit was extended to twenty years in 1997, opening up an enormous new market (Hobbs 2003). It is likely that part of this lobbying effort was driven by projections of how much it will cost to replace and upgrade the nation's degrading water infrastructure in coming years. According to the National Research Council (2002:3), the American Water Works Association estimated:

that the necessary investments in replacement of the nation's water infrastructure to be $250 billion over the next 30 years...Public officials with limited financial and technical resources are interested in alternatives that may help meet these needs.

Clearly, water privatization is an emerging and significant issue for U.S. municipalities and citizens. TNCs have bought out most of the American-owned companies that deal with water management, and these TNCs are actively courting favorable changes in legislation along with new contracts with U.S. municipalities. Clarke and Barlow (2003) contend that these TNCs aim to control 70 percent of U.S. water utilities by 2010. Again, this "control" will likely occur in the form of private management, not ownership. Similarly, Marsden (2003) predicts that 65-70 percent of U.S. water systems will be privatized through public-private partnerships by 2015. The
potential for such rapid entry of TNCs into the U.S. water market makes the present research particularly timely.

Public-Private Partnerships in the U.S.

Since 1997, when changes in the U.S. tax code enabled U.S. municipalities to negotiate public-private partnership contracts for up to twenty years, a series of water supply partnerships have been created. These include contracts in places such as Atlanta, GA, Stockton, CA, and Indianapolis, IN, and the partnerships have seen varying success and failure. The Atlanta contract was cancelled four years after it was signed (Public Citizen 2003d). Moreover, there was a significant public outcry in Stockton over issues of public participation in the decision-making process to sign the contract (Public Citizen 2003e). The Stockton contract remains in effect, however, even though ongoing legal battles threaten its long-term viability (Public Citizen 2004).

Analyzing the Dynamics of U.S. Partnerships

With the inception of these contracts, analysis of the dynamics of these partnerships and recommendations for their success has ensued. For example, Gleick et al. (2002) developed a set of “Principles and Standards” for water privatization. These include: 1) continuing to manage water as a social good, or ensuring that “all residents in a service area should be guaranteed a basic water quantity,” 2) providing the necessary oversight and management functions to effectively oversee the contract, 3) building water conservation measures into the contract, 4) including “explicit performance criteria and standards” in the contract to ensure transparency and accountability by both partners and,
perhaps most importantly to this study, 5) ensuring that negotiations are “open, transparent, and include all affected stakeholders” (Gleick et al. 2002:40-42). Thus, they argue that the private sector can effectively contribute to water supply management, but only if local stakeholders are actively involved in deciding how this is to occur. They contend,

Numerous political and financial problems for water customers and private companies have resulted from arrangements that were perceived as corrupt or not in the best interests of the public. Stakeholder participation is widely recognized as the best way of avoiding these problems. Broad participation by affected parties ensures that diverse values and varying viewpoints are articulated and incorporated into the process (Gleick et al. 2002: 42).

More specifically, they provide examples of initiatives cities can undertake to effectively involve “stakeholders” or key players, including,

the creation of public advisory committees with broad community representation to advise governments proposing privatization; formal public review of contracts in advance of signing agreements; and public education efforts in advance of any transfer of public responsibilities to private companies (Gleick et al. 2002: 42).

Examples such as these provide cities with important options for how they can involve the public in the negotiating process. However, Gleick et al. (2002) do not provide any on-the-ground evidence or case studies demonstrating how these public participation initiatives have operated in specific public-private partnerships. Furthermore, what sorts of issues would a “public advisory committee” or a “formal public review” bring to bear on a partnership? What are key players truly concerned about? Making the recommendation is one thing; providing evidence for how they have operated in an actual
place is another. Through an in-depth look at Indianapolis’ experiences, the present study begins to fill in these gaps.

Additionally, the National Research Council (NRC) conducted a comprehensive review of key issues in U.S. water privatization, including the evaluation of “fiscal, policy, management, regulatory, water quality, and environmental issues” (NRC 2002: viii). Some of their key findings include: 1) the acknowledgement that “pressure from large national and global water companies has motivated improved performance by public water utilities,” 2) “privatization is not the same as competition,” 3) small to medium-sized utilities are the best candidates for involving the private sector in their operations, 4) customers are willing to pay more for higher quality water, 5) workforce issues need to be seriously considered, “both as a possible source of cost savings and a focal point for public concern” and, 6) the majority of water utilities will most likely continue to be publicly owned (NRC 2002: 7-8).

There is some discrepancy, therefore, between various evaluations of how widespread these public-participation contracts will become in the future. As mentioned above, Marsden (2003) and Clarke and Barlow (2003) predicted that 65-70 percent of U.S. water utilities could be operating with a public-private partnership by 2015. The NRC (2002), on the other hand, believes that the pressure from these TNCs may effectively improve the performance of public water utilities to the point where involving the private sector is not needed anymore. TNCs have only been involved in the U.S. water industry for the past seven years and their contracts have seen mixed results. Although there are mixed projections on far widespread their reach will become, cities
considering these partnerships will most likely be keeping a close watch on those partnerships that already exist.

The National Council on Public-Private Partnerships (NCPPP), a non-profit organization that promotes partnerships of all kinds (not just for water supplies), has even produced a series of short profiles of "successful" partnerships (see www.ncppp.org). Given the perspective of the organization, these case studies have to be viewed critically; however, they do suggest that interested organizations are making the effort to promote public-private partnerships by example. Indeed, the NCPPP even awarded Indianapolis with its "Public-Private Partnership Award" in the service category in November 2004, indicating that Indianapolis is viewed as a successful model for these partnerships (Indianapolis Water 2005). In this vein, one of my goals for this study is to hold a mirror up to a specific public-private partnership through a case-study approach, remaining open to new ideas and perspectives that emerge from interviews with key players.

The NRC also addresses the issue of involving the public in these public-private partnerships. They cite a British water publication as saying, "Future development will be governed by creative solutions involving true partnerships of all stakeholders in the sector, taking account of local political and social sensibilities" (Owen 2001 in NRC 2002: 23). In addition, they caution that, "Communities may also have concerns regarding long-term protection of watersheds that convey raw water supplies, participation in and transparency of policy decisions, and competition after service contracts are awarded" (italics added; NRC 2002: 25). Lastly, the NRC (2002:103) advises that, "Strategies for improving water utility performance must be implemented within a local political environment shaped by the values and interests of the community"
and elected officials.” Thus, the NRC acknowledges the importance of involving the community in any negotiations for a public-private partnership, especially since each community is different and will be concerned about a variety of issues. They suggest that the workforce, watershed conservation, and contract monitoring are issues of public concern. Again, like Gleick et al. (2002), the NRC does not provide any specific evidence to support this. These concerns make sense, yet perhaps there are others that have not been discovered or some are more relevant than others under certain circumstances. Conducting a more thorough investigation of one community, Indianapolis, will begin to ground these concerns in a real place, while also perhaps suggesting some new issues that need to be addressed.

Theoretical Foundations

Before getting to the findings in Indianapolis, however, it is also important to acknowledge and briefly discuss the larger theoretical foundations that issues surrounding privatization and public participation are grounded in. There are various theories that both promote and critique privatization, citing both the benefits and downfalls of what has become a very popular policy alternative. Likewise, public participation has a rich theoretical background that can be applied in a myriad of public arenas. Since these theories stem from decades of experience, familiarity with their general frameworks is important. Then, when investigating the details of water privatization and public participation in Indianapolis, these frameworks can provide general criteria to look for as the perspectives of the key players emerge.
Privatization

History. First, the term "privatization" is often murky and ambiguous by itself. Without a context, it is relatively meaningless, besides denoting some involvement of the private sector. Indeed, Donahue (1989: 5-6) argues,

Privatization is not only an inelegant term; it is lamentably imprecise. The word can signify something as broad as shrinking the welfare state while promoting self-help and voluntarism, or something as narrow as substituting a team of private workers for an all-but-identical team of civil servants to carry out a particular task.

With that said, however, privatization in one form or another has been in existence for a long time. Moreover, it has recently gained more momentum with the rise of neololiberalism, and a focus on free markets and reducing the role of government in providing goods and services, as noted above (Savas 2000). Therefore, it is important to discuss why and when privatization first became a viable policy alternative in its current form. According to Greene (2002), at least on the local level, privatization gained its recent prominence in the 1970's when the U.S. energy crisis caused widespread fiscal stress. This stress led to a decrease in municipal revenues and an increase in "welfare" spending, causing widespread flight of the middle class and the growth of the suburbs. Various industries also became more mobile in search of municipalities with the lowest taxes. Then, in the 1980's, under the Reagan Administration, there was an emphasis on "new federalism." This new federalism deferred to market forces and promoted the financing of local programs and projects at the state or local level, not through federal funding. Similarly, Savas (2000: 15) argues that "privatization was first suggested in 1969 by...Professor Peter Drucker," and the administrations of Margaret Thatcher and Ronald
Reagan “gave high visibility and a pronounced ideological impetus to what became the privatization movement.”

The combination of fiscal stress and increased responsibility for funding sources led municipalities to seek out alternative sources of capital. The private sector was one such source, and municipalities increasingly turned to privatization as a way to manage and fund services that were traditionally “public” in nature. Of course, the exact type of privatization is dependent on the specific example.

The theoretical foundations for privatization can, in their simplest form, be divided into those that promote privatization and those that do not. This debate is centered on the question of “whether privatization can actually deliver public services more economically than traditional government auspices” (Greene 2002: 5). Thus, below I give a general outline of the theories that fall on these two “sides” while also recognizing that in reality much discourse actually falls more in the middle.

*Privatization proponents.* Perhaps the most often heard and important argument for privatization is that of efficiency. Government is large and slow, a monopoly with no incentive for cutting costs. The private sector is competitive, flexible, and economical. Thus, including private corporations in the implementation of public policy goals will result in lower costs to the public and increased flexibility, especially for short-term projects (e.g. street cleaning or specific construction jobs). Furthermore, through the use of public-private partnerships, risks can be shared with the private sector, and economies of scale can be utilized. Also, if results are unsatisfactory, a municipality can simply contract with another firm (Greene 2002).
This argument is built on both market and public choice theory. Market theory is “based on [an] idealized model in which firms seek to maximize profits, are small relative to their industries, and where no restrictions exist to prevent firms from entering or exiting an industry” (Greene 2002: 13). Competition for contracts will help expose the true costs of production and the removal of politics from decision-making will result in better management. Moreover, there is an assumption of well-informed consumers (who have perfect information) who have distinctly defined their preferences for alternative goods (called preference orderings) (Greene 2002).

Public choice theory, on the other hand, is loosely based on rational choice theory which states that humans are rational actors that seek to maximize their self-interest (this stands in contrast to collective action theory which states that humans often make choices based on reciprocity and trust and what is good for a larger community or group; see Ostrum 1998). In relation to privatization, public choice theory posits that public managers will make decisions based on their own self-interest rather than the interest of the larger public. Furthermore, if services are subsidized, making costs lower, citizens will demand too many services, creating a “bloated” government (Greene 2002). This explains why government is perceived to be so inefficient; government is a monopoly with no incentives for efficiency. Thus, separating financing from the production of public services (as through a public-private partnership) combats this perceived inefficiency.

Both of these theories clearly have weaknesses, especially when related to real-world situations and problems. For instance, many of the corporations that operate in public-private partnerships with public utilities are not “small relative to their industries.”
Often, they are large national or transnational corporations who only have a few competitors. Also, contract length and the complexity of what is privatized may create restrictions on ease of entry and exit out of the "market." With public choice theory, there is ample empirical evidence that challenges the idea that humans always make decisions exclusively in their self-interest (Ostrum 1998). Both of these theories have been instrumental in providing the foundation for privatization proponents, however, and can be easily recognized in the discourse that surrounds this issue.

**Critics of privatization.** Instead of focusing on efficiency, critics of privatization concentrate on issues of equity and public accountability. They argue that efficiency is not the only priority of government and that the task of *governing* will be compromised with the inclusion of the private sector. In addition, they argue that there is often inadequate competition for public-private partnerships, corruption is a common problem, and there is a decided loss of accountability when private corporations are in charge. It is much "more difficult for the public to hold contractors responsible than elected officials or bureaucrats when there are problems with service" (Greene 2002: 17). This is often termed "sector blurring" whereby the mixing of public and private responsibilities results in a blurring of who is accountable, and can lead to corruption and a loss of public employment. Finally, opponents firmly believe, in contrast to proponents, that government services *should* be determined in a political context, not solely in the marketplace. Thus, politics are an important and legitimate variable to consider in decision-making (Greene 2002).
These arguments are based in market failure theory. This theory emphasizes market imperfections such as: 1) the existence of externalities such as pollution, 2) the reality of natural monopolies such as utilities and, 3) that large capital investments are often necessary to move between industries. Additionally, it stresses the existence of “imperfect information” or that consumers often make choices with inadequate information about products, and that the “true cost of production” is often obscured when corporations purposely bid low for contracts with the assumption that they will recoup their losses in the future (Greene 2002).

In general, privatization critics do not believe that privatization can never work or should never be utilized. Rather, they emphasize that efficiency must be balanced with other concerns of accountability and equity, and privatization contracts should be entered into cautiously and carefully, acknowledging the potential pitfalls that may occur.

In summary, efficiency, the removal of politics, and competition are the primary benefits touted by privatization supporters. In contrast, critics express concerns about equity, public accountability, externalities, utilities as natural monopolies, and the lack of competition. All of these claims are good to keep in mind when investigating the realities of Indianapolis and the experiences of key players there.

Public Participation

Public participation, likewise, has a rich and varied past. It is a complex subject with numerous theoretical foundations and historical precedents. In the following section, I outline a few key issues brought up in recent literature that are especially relevant to this study. This, again, provides some context for the issues raised by the participants in this
study, tying their comments and beliefs to a larger framework, while also allowing for the emergence of new issues around this topic. The key issues addressed below include more clearly defining the “public” and “public participation,” evaluating avenues for participation, the timing of the participation, and the authenticity of the participation as viewed by the participants.

**Defining “public.”** First, the term “public” itself is an ambiguous term. Who exactly is the public? Roberts (1995:227) approaches this question by describing the “public” as:

*a constantly shifting multiplicity of affiliations and alliances that group and regroup according to the issues,... their understanding of the issues...[and] perceptions of risk...There is no single ‘public’; instead there are a number of publics, some of whom emerge at any time during the process depending on their particular concerns and the issues involved.*

Thus, public officials, or those charged with managing a public participation process, must be sensitive to a variety of “publics” rather than homogenizing everyone into one group. They also must realize that some groups may be more concerned with various aspects of the decision than others, along with various aspects of the decision-making process itself. Therefore, the main goal should be to ensure that “everyone is entitled to the opportunity to participate and, even for those who do not participate, that their interests are protected” (Roberts 1995: 227).

**Public consultation and participation.** Next, Roberts (1995) makes an important distinction between consulting the public and actually having them participate, both of...
which fall under the heading of “public involvement.” He makes this distinction by saying,

While consultation includes education, information sharing, and negotiation, the goal being better decision making by the organization consulting the public, participation actually brings the public into the decision-making process. Typically, public involvement has focused primarily on consulting the public, with no options for greater involvement (italics in original; Roberts 1995: 224).

This distinction is useful because it seems likely that people’s expectations for what is typically called “public participation” may differ considerably depending on whether they simply want to be informed and educated (or consulted) as compared to actually having a place at the table during the decision-making process. Furthermore, could this potential difference in expectations be a source of conflict? While I may not be able to answer that question with this study, identifying the expectations of key players in Indianapolis may prove important in interpreting their views on public participation in this case. Also, I will continue to use the more conventional term “public participation” although, as it is defined by Roberts (1995), some of the examples in Indianapolis may be more appropriately called “public consultation.”

Avenues for participation. The next question, then, is: how can the public participate? Webler and Renn (1995) cite numerous avenues, including involvement in political parties, litigation, attendance at public meetings or hearings, voting, public workshops, submitting written comments to public agencies, appointments to citizen advisory committees (also called citizen advisory groups or CAGs), study circles, public protest, and citizen panels. This list encompasses both public consultation and
participation strategies. Three of these strategies – public hearings, litigation, and advisory groups – are or have been utilized in Indianapolis. Furthermore, each of these avenues can be analyzed independently for their strengths, weaknesses, benefits and downfalls.

Public hearings. Webler and Renn (1995), for instance, briefly analyze the public hearing. They characterize this participation opportunity as disempowering to citizens, "often held late in the process when public impact can be...minimal," ineffective at allowing more than a small number of people to speak, and "held primarily to satisfy legal requirements, rather than really promote public input" (Webler and Renn 1995: 24). In contrast, Chess and Purcell (1999:2686) cite both strengths and weaknesses of public meetings, arguing that although critics have raised concerns that public meetings only serve to "legitimize agency decisions that have already been made," some empirical research has provided a "more optimistic assessment."

Citizen advisory committees. Vari (1995), on the other hand, evaluates citizen advisory committees (CACs). According to her analysis, CACs are often unable to define their own agenda, rather having to accept the agenda and issues deemed important by the organization or private company they are advising. Also, the general public only has limited opportunity to influence the discourse of the CAC, and CAC members often have to spend a considerable amount of time being educated about the issues before they can discuss them. Lynn and Kartez (1995:88), on the other hand, describe some benefits of CACs:
they inform public agencies about broad community attitudes; they educate citizens about proposed institutional actions; they increase ultimate acceptance of those decisions; and they allow government and industry to deal with one relatively small body of citizens rather than the entire community.

Lynn and Kartez also indicate, however, that there is substantial variation in how open CACs are to the general public. CACs may work closely with the community they represent or in relative isolation. Furthermore, the CAC’s ability to conduct public outreach and education about its efforts is limited by the resources and money provided by the sponsoring institution.

In addition, Lynn and Kartez address the development of industry-established CACs. They argue that industry CACs have faced many of the same “fairness and competence issues” experienced by government-sponsored CACs, including responsibility for agenda-setting, determination of decision-making procedures, and the ability of members to develop a group mission and identity. Finally, they conclude that the impact of the CAC is dependent on the “intentions” of the sponsoring institution. If the government or industry has no intention of following the recommendations of the CAC, it is impossible for the CAC to have any “meaningful” influence (Lynn and Kartez 1995: 98).

The formation of public-private partnerships provides a different setting for CACs. In the case of Indianapolis, the CAC (called a Citizens Advisory Group, or CAG, there) advises the private partner but was established by the partnership. Their yearly evaluation is also tied to a percentage of Veolia’s incentive payments. How the IWC CAG was established, the makeup of its members, difficulties with adequate outreach
about its meetings, and responsibility for agenda setting are some of the issues addressed in the findings in Chapter Five.

**Timing.** Subsequently, the timing of these various participation opportunities is another key issue to consider. Webler and Renn (1995) cite Langton (1978) as defining a current condition called the "participation paradox." Part of this paradox is that participation can be a form of therapy, in that citizens are often only asked to participate after a decision has been made. This leads to feelings of frustration and being cheated out of the process. Similarly, Chess and Purcell (1999), outline five suggestions for successful public participation that empirical research supports. One of these is to:

- begin participation early and invest in advance planning...Timing of the participation effort...was cited in cases in which participants were placed in a reactive position by virtue of being asked to consider agency proposals - often perceived as final decisions - rather than to join in earlier discussions of alternatives. Conversely, early involvement was positively noted by other studies. (Chess and Purcell 1999: 2691)

King, Felty, and Susel (1998: 3) similarly note that citizen participation can be more "symbolic than real...[when] it happens too late in the process, that is, after the issues have been framed and most decisions have been made."

**"Authentic" participation.** Finally, the "authenticity" of the participation is another significant issue. In short, providing opportunity for public input is one thing. Actually taking that input seriously, and incorporating it into a decision, is another. King et al. (1998:3) define "authentic participation" as "deep and continuous involvement in administrative processes with the potential for all involved to have an effect on the
situation." Or, put another way, for participation to be "authentic," those participating must feel like their input is important and actually being considered by decision-makers. It requires "focus, commitment, trust, and open and honest discussion" along with placing equal emphasis on both process and outcome (King et al. 1998:4). Actually devising criteria for authentic participation is challenging, but King et al. provide a useful summary of its key characteristics, along with practical advice on how to overcome existing barriers. These include educating administrators on meeting facilitation skills, conducting public education programs that inform citizens how they can participate, holding meetings at convenient locations and times for the community (including providing child care and/or food), and diversifying the format of meetings, among others. The idea of "authentic" participation echoes Lynn and Kartez's (1995) discussion of CACs and whether they have "meaningful" influence on their sponsoring institution. Furthermore, I use the idea of "authentic" participation to frame my central research question for this study.

In summary, some of the key issues in public participation include how the public and participation are defined, evaluation of specific avenues for participation such as the public hearing and CACs, and the timing and authenticity of participation. For the purposes of this study, I define the "public" broadly, including ratepayers, taxpayers, citizen groups, and employees of the IWC. Occasionally, I separate out the employees when describing issues specific to them. I also define "participation" broadly, including consultation and actual participation. In Indianapolis, this includes public hearings, advisory groups, and litigation. To conclude this chapter, then, I will address the intersection of privatization and public participation in the literature.
Water Privatization and Public Participation Considered Together

There is a limited literature that explicitly considers privatization and public participation together. In one example, Hall and Goudriaan (1999:3) contend that “under privatization...institutions of local democracy are severely weakened.” They couple this assertion, though, with the point that successful resistance to privatization occurs through the use of local democratic institutions. This suggests an interesting balance between the weakening of democratic institutions and the use of those same undermined institutions to try to regain some of their strength. They cite three “key elements in the privatization process which affect local democracy: 1) the multinationals and their political connections, 2) the range of pressures brought to bear against local authorities, and 3) the loss of public accountability that follows privatization” (Hall and Goudriaan 199:3). The recent takeovers of American-owned water corporations by TNCs and changes in U.S. legislation support the first point. Hobbs’ (2003) research on U.S. municipalities and the public relations campaigns directed towards local officials by the water industry provides support for the second point. Finally, Hall and Goudriaan provide evidence of a “democratic backlash” against privatization, especially in the form of election results. In many locales, privatization has been made an election issue, and the party favoring privatization has often lost as a result. Furthermore, trade unions have been key players in these campaigns, favoring the retention of services in the public domain. Unfortunately, almost all of the examples they cite are not in the U.S., with the exception of a town in Long Island, New York that “re-municipalized” their electric utility.

The development of “Principles and Standards” for water privatization by Gleick et al. (2002), along with the general analysis offered by the National Research Council...
(2002), both described above, also provide some useful signposts and key issues that may occur when water privatization and public participation intersect, albeit without any grounding in real-world examples. The absence of any case studies that investigate in detail how exactly water privatization and public participation intersect in a specific place is intriguing, and begs for further research. How do we know if these suggestions, advice, principles, and standards are applicable and relevant to the messy, complicated, political realities U.S. cities are facing? Do the arguments of privatization supporters and opponents hold up in the case of water? Are the various concerns raised about public participation relevant to this situation, where the public is “participating” with both public and private entities? Or are new issues developing?

Water is a necessary component of all of our lives, every single day. It has a strong history as a public resource (even if it is managed by a private company, public regulators retain a huge responsibility for ensuring the water’s safety). Will the public retain its right to participate in decisions about their water if the water is managed by a transnational corporation? Are new avenues for participation developing to accommodate this new dynamic? Or do people even care?

Each and every U.S. water system is unique, with its own set of ecological, political, economic, and social circumstances. Municipalities organize themselves and their water utilities through a vast array of mechanisms, laws, and regulations, all of which also contribute to their distinctive situation. Nevertheless, there are similarities too. This is why cities often look to each other as examples, networking and learning from each other about their common circumstances. Thus, as cities look to the future, and recognize that keeping their water utility in good working order may cost a substantial
amount of money, they might benefit from knowing what other cities have experienced and the solutions they have tried.

In conclusion, this study is about the intersection of water privatization and public participation in the U.S. The main goals are two-fold: 1) to investigate the details of how the Indianapolis Water Company is now publicly owned and privately managed in Indianapolis, IN and, 2) how the public fits in to this new dynamic. With the intersection of water privatization and public participation, there are many general guidelines but only a limited amount of evidence based on actual experience to back them up. Thus, this study aims to contribute towards bridging that divide. The circumstances in Indianapolis are certainly unique to that place. By interviewing key players in the Indianapolis water supply partnership, however, I hope to more thoroughly describe the private management of water there and the role of the public in these new circumstances. This place-specific information will hopefully serve to “ground” the existing theory, or at least a small part of it, while perhaps also raising or emphasizing new issues that have not been thoroughly considered yet.
CHAPTER THREE
THE RESEARCH APPROACH: BACKGROUND AND METHODOLOGY

Undertaking the task of researching the intersection of water privatization and public participation in Indianapolis was a complex endeavor. How did I choose Indianapolis in the first place? How did I select the participants in this study? What were my data collection and analysis methods? And why are these methods valid? This chapter answers these questions by outlining the methodology used to conduct this study. First, I provide a brief background on Indianapolis, which is considerably expanded upon throughout Chapters Four and Five. This gives the reader a basic understanding of Indianapolis’ story and the sequence of events there. Then, the data collection methods are described, including details on the participants, followed by an outline of the data analysis techniques and its theoretical foundations. Finally, a brief discussion of the validity of this methodology, including an acknowledgement of its limitations, serves to justify my research approach.

Water for Sale in Indianapolis

The Indianapolis Water Company (IWC) has been in existence since 1880. Up until 2002, it was a privately-owned water utility, with the exception of a few years in the late 1800s when the City of Indianapolis briefly took it over and then sold it back to private investors. In the 1960s, it went public, issuing shares to stockholders that could be traded on the stock exchange. Although it was privately owned, investors tended to be locally-based in the Indianapolis area. In the 1980’s and 1990’s, due to inflationary
pressures, the IWC bought other businesses to provide alternative sources of income (for example, the Miller Pipeline Company), and by the mid-1990’s more than half of their revenue came from non-regulated (i.e. non-water supply) sources. Then, in 1997, the IWC was sold to NiSource (the Northern Indiana Public Service Company), a regional power and gas company, for a price of $288 million (Miller 2003). At this point, the IWC was the largest privately-owned water utility in the United States that served a single city, with over one million customers. Then, between 1997 and 2001, NiSource also acquired the Columbia Gas Company, throwing itself over the federal threshold of the Holding Company Act of 1936. This forced them to sell off some of their non-gas related assets, including the IWC. Initially, they wanted to put the IWC on the open market, and this may have led to an outright sale of the IWC to one of the transnational corporations described in Chapter Two. However, the City of Indianapolis discovered they had first right of refusal for the IWC (established back in the 1800s when the City briefly owned the utility), and they decided to exercise this right. NiSource balked and brought the claim to court, but the courts ruled the City was correct. Negotiations for the sale began.

As the negotiations proceeded, the employees of the IWC understandably became concerned about their future. In response, Mayor Bart Peterson wrote them a public letter stating that, regardless of what the City decided to do with the utility, their pay and benefits would remain protected. The City, who had essentially never owned or managed the water utility, set up a Department of Waterworks in December 2001 to receive the assets of the IWC. This was governed by a bi-partisan Board of Waterworks appointed by the Mayor. They also had to decide what they were going to do with the IWC once they owned it. They essentially had three options: 1) run the IWC as a City department, as
many utilities are throughout the U.S., 2) put the IWC under the existing Citizens Gas & Coke Utility (the local gas company), which is managed by a non-partisan public trust that does not report to the City government, or 3) contract the operation and management of the IWC to a private partner. They chose the public-private partnership model and began issuing a Request for Qualifications and a Request for Proposals in December 2001 (how they decided this and the decision-making process they went through is a source of debate and controversy and is discussed further in Chapter Four). Also, by this time the City and NiSource had agreed upon a deadline of April 30, 2002 for the transaction (a continuing source of debate as well).

Thus, between December 2001 and the end of April 2002, the City of Indianapolis requested and received proposals for the partnership, evaluated the proposals, chose a set of top candidates, made a final recommendation to the Board of Waterworks and the City-County Council, conducted final negotiations, and drew up a public-private partnership contract. They chose USFilter, a subsidiary of the TNC Vivendi Environment. On April 30, 2002, the City of Indianapolis bought the IWC from NiSource for $515 million (almost double the price NiSource paid five years prior), and the next day, May 1, 2002, USFilter officially took over all operations and management of the utility (Miller 2003). The contract’s length is twenty years, and is unique in that it is incentive-based. This means that 25% of USFilter’s annual fee is based on performance-based incentives. If they do not meet the established performance criteria, they do not receive their money. Since then, for the past three years, USFilter (now called Veolia after Vivendi sold off some of USFilter’s assets) has operated and managed the IWC,
with the oversight and partnership of the Board of Waterworks and a series of advisory
groups.

Perhaps the most controversial occurrence during the first three years of the
partnership has been litigation filed against the City. The first was a class-action lawsuit
filed on behalf of the employees of the IWC for lost benefits since Veolia has become
their employer. This relates directly to the letter Mayor Peterson sent the employees and
retirees in 2001 when the City decided to buy the IWC that promised full protection of
the employee’s benefit packages. In August 2004, however, the courts ruled in the City’s
favor on all but one count. The second lawsuit relates to the legality of the City’s decision
to create the partnership. This lawsuit claims that the City was legally bound to place the
IWC under the same public trust the Gas Company currently operates under. In
September 2004, the courts again ruled in favor of the City, but the plaintiffs’ are
currently trying to get the case re-tried in another jurisdiction.

This is the basic story of the Indianapolis Water Company and its recent transition
to public ownership and private management by a TNC. What this story does not include
is how the partnership is faring (beyond the lawsuits) and how the public has been
involved throughout the entire process. These topics are anything but straightforward,
and constitute the bulk of the findings in Chapters Four and Five (although a few parts of
the story outlined above are also open to interpretation, as noted).
Assembling the Parts

Choosing Indianapolis

When I first proposed this research, I hoped to study a set of U.S. cities that had formed public-private partnerships to manage their water utilities. These included Stockton, CA, New Orleans, LA, and Indianapolis, IN. After realizing the gargantuan nature of such an undertaking (stemming from the wise advice of my committee), I decided to scale back the research to just one city. I chose Indianapolis out of the three cities originally proposed for a few reasons.

Foremost, Indianapolis is a relatively new contract that has received a minimal amount of scrutiny. Stockton, CA, on the other hand, had a documentary called “Thirst” made in part about its water privatization contract (see www.thirstthemovie.org for more information on the film). It also received a significant amount of media attention due to a series of lawsuits revolving around public participation in the decision-making process there. Thus, many of the key players in Stockton have been interviewed by various people, and the dynamics of that partnership is already better understood than those of other cities. New Orleans, in contrast, ended up voting against a partnership, thus limiting the depth of my research to the decision-making process and no further.

Second, there were logistical reasons that made Indianapolis a more valid choice. I had personal acquaintances in Indianapolis that assisted with contacting some of my participants, and could provide lodging during a visit. I have also been to Indianapolis before, unlike the other cities, making it easier for me to find my way around during interview appointments. While these may be minor advantages, they felt significant at the time of the decision, and ended up making the data collection a very smooth process.
Finally, given that the Indianapolis Water Company was the largest privately-owned water utility serving a single city in the U.S., and many other cities are likely going to be keeping a watchful eye on the progression of the partnership there, I thought it would be useful to study a high-profile example.

**The Case Study Approach**

The research for this study was qualitative in nature, and involved a case-study approach. Case studies can involve a variety of data-gathering techniques, including in-depth interviews, document collection, participant observation, and site visits and are useful in that they provide "extremely rich, detailed, and in-depth information" about a person, community, organization, or situation (Berg 2001: 225). Hence, I primarily used two data collection techniques to research the intersection of water privatization and public participation in Indianapolis: 1) in-depth, semi-structured interviews, and 2) document collection. These are addressed separately in the next sections.

**Interviews**

The semi-structured interview involves scheduled questions that each participant is asked, but leaves room for the interviewer to probe deeper with unscheduled questions depending on the answers they are hearing (Berg 2001). Using this interview structure allowed me to "approach the world from the subject's perspective" (Berg 2001:70), and it gave the participants the freedom to express their opinions in their own words, something that is not captured with conventional quantitative survey methods (see Appendix A for the interview guide). This interview structure provides a useful balance between asking
questions consistently of all of the participants and providing an opportunity for elaboration based on the participant’s area of expertise and depth of knowledge about certain subjects.

I located and selected participants through a variety of methods. Initially, I conducted a basic search on the internet for information on the Indianapolis partnership. This led me to a few names, phone numbers, and email addresses of people that seemed to be involved with the partnership, or at least had a strong interest in it. Ultimately, I was looking for “key players” in the partnership, or what are often called “stakeholders.” However, it could be argued that all of the customers of the IWC are stakeholders, so I needed to narrow down the field in some way. The NRC (2002:101) characterizes stakeholders in this situation as “governments, employees and labor unions, citizen-taxpayers, customer-ratepayers, and local groups representing business, consumer, and environmental interests.” Thus, I aimed to interview people who fell into each of these categories, accessing a broad spectrum of perspectives.

I contacted the people I located on the internet, asking them for more information on how they are or were involved, whether they would be willing to participate in the study, and if they knew of anyone else that I should contact. This last part proved crucial in assembling a set of participants because it allowed me to establish a connection with people after “cold-calling” them (or cold-emailing them) by mentioning the name of someone they knew. This sampling technique is called “snowball” sampling because it “snowballs from a few subjects to many subjects” (Berg 2001:33). My initial contacts were very generous with names and enthusiastic about participating in the study. They even gave me the names and contact information for people who, by their judgment, had
very different opinions on the partnership. This gave me some confidence that my sample
would provide a diverse set of perspectives. At some point, I started to reach a level of
saturation with the names people were giving me, or the people they suggested were only
peripherally related to the partnership.

In total, I contacted sixteen people to interview, and all of them accepted the
invitation. Nobody declined my interview request. One additional participant was added
when a scheduled participant decided to bring them to the interview without my prior
knowledge (although they provided a useful perspective as well), leading to a total of
seventeen participants. Sixteen of these participants are men, and one is a woman. I
classified the participants into six categories:

1) Public officials
   • Three participants
   • One current City-County Council member
   • A former City-County Council member who is a member of the Board of
     Waterworks and its former Chair
   • The Director of the Gas/Water/Sewer Division of the Indiana Utility
     Regulatory Commission

2) City and Veolia employees that oversee the contract
   • Two participants
   • The City employee was a consultant during the decision-making process
   • The Veolia employee has worked for Veolia world-wide for ten years

3) Advisory group members
   • Three participants
   • One Citizens Advisory Group member
   • Two Technical Advisory Group members

4) Citizen/environmental activists
   • Three participants
   • The Executive Director of the Hoosier Environmental Council (HEC)
   • One Board Member of HEC who is also the Program Director for the
     group Protect Our Rivers Now
   • One Board Member of HEC who is also the Director of the Indiana
     Alliance for Democracy

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5) Current and former employees of the IWC, including members of the union
   • Five participants
   • The President and the Business Manager of the largest union at the IWC
   • A non-union IWC manager who was the lead plaintiff in a lawsuit filed against the City regarding lost benefits
   • The former President of the IWC who retired when it was sold to the City
   • A former IWC executive who also served on the Board of Waterworks

6) A lawyer handling a series of lawsuits that have been filed against the City (discussed more below)
   • One participant

In a few cases, there was some overlap in the categories (see Appendix B for an expanded summary of the participants). For the most part, then, I was able to include a broad spectrum of "stakeholders," as described by the National Research Council above. I did not interview a general "customer-ratepayer" because I only wanted to include people who had a significant amount of knowledge about the partnership or some facet of it. The majority of my participants, however, were ratepayers too. Finally, the various backgrounds of the study participants impacted the amount of knowledge they had on certain subjects. Thus, some participants never spoke on some subjects and commented in abundance on others. This is reflected in the presentation of the findings.

I conducted fourteen of the interviews in person over a period of four days in Indianapolis in August 2004. I conducted the remaining three interviews over the phone after I returned home. Interviews ranged in length from forty minutes to an hour and a half. They took place in a variety of locations around Indianapolis, including personal homes, business offices, and restaurants. All were recorded, although the majority of one was accidentally taped over. For that interview, I took detailed notes as soon as possible after the mistake was realized (on the same day), and the last ten minutes of the interview were preserved on tape. With the exception of one interview, all of the interviews were
one on one. In one instance, I interviewed two people at the same time (see Appendix B). I asked all of the participants whether they wanted their identity kept confidential in this paper and any subsequent reports, and all of them declined. Therefore, I use the real names of participants throughout Chapters Four and Five.

Document Collection

During my travels to Indianapolis, I also collected a set of documents related to the partnership. These were primarily collected by asking the study participants if they had any documents they thought were relevant, although on a few occasions they brought these along without any prompting from me. The documents I collected include local newspaper articles about the partnership, internal memos, emails, and letters, and the Assets Purchase Agreement between the City and NiSource. At the time, I was not entirely clear about whether these documents would prove useful in my analysis; however, I felt compelled to take advantage of being in Indianapolis and the availability of the documents.

I also collected a set of documents that are available on-line. They include the Management Agreement between the City of Indianapolis and Veolia (previously called USFilter) and meeting agendas and minutes for the Board of Waterworks, Technical Advisory Group, and Citizens Advisory Group. Again, at the time, I was simply trying to collect as much information as possible about the partnership without a clear idea of whether these documents would be helpful in the end.
Making Sense of it All

After conducting all of the interviews, they were transcribed verbatim. I transcribed twelve of the sixteen interviews myself, and paid someone to do the remaining four. I also double-checked and made corrections on those four transcripts to ensure their integrity.

Then, I commenced content analysis using an inductive approach. Content analysis is generally described as condensing written text into an “objective coding scheme” as a way to make the text “systematically comparable” (Berg 2001: 238). An inductive approach “begins with the researchers ‘immersing’ themselves in the documents (that is, the various messages) in order to identify the dimensions or themes that seem meaningful to the producers of each message” (italics in original; Abrahamson 1983 in Berg 2001:245). These themes are then turned into specific categories that are “grounded” in the data from which they came. These emergent categories, therefore, were derived from the interview texts themselves instead of established beforehand. This is often called “open coding” (Berg 2001). Furthermore, my analysis was interpretive in nature because I placed emphasis on context (through discussion of people’s personal experiences), and sought to understand people’s own definitions of their social reality (Neuman 2000).

To complete the content analysis, I first read through half of the interview transcripts and made initial lists of categories and topics that emerged from the data, but without actually marking anything on the transcripts themselves. Some of these categories were understandably driven by the questions I asked. For instance, one of my questions was: “Why do you think the City decided to contract with a private company to
manage the water company?" The participants gave a variety of answers, including things such as the city wanted more control or it was driven by politics. Thus, while one of my main categories was about why the city decided to create the partnership, all of the reasons emerged from the interviews themselves.

After completing this initial "pre-coding," I went through all of the transcripts in detail and open coded them. I wrote the codes on the transcripts themselves and then, at the end of each interview, organized the codes for that person into a spreadsheet-like format (although I did it by hand, not on a computer). This allowed me to easily compare the participants and their perspectives, and to perform some simple quantitative calculations, such as the frequencies of various codes, at the end of the analysis.

Throughout the coding process, I frequently went through my growing lists of categories (and sub-categories, etc.) to identify any overlapping categories, or possibly move them around. At the end, I revised some of the codes in the transcripts themselves and on the spreadsheets. All of this coding and spreadsheet organization served as a way to organize a very complex text, allowed me to calculate relative frequencies, as noted above, and made it easy to find relevant quotes and perspectives on particular topics (all codes were accompanied by a page number on the spreadsheet). Additionally, I want to emphasize that my codes simply tried to capture an individual opinion or perspective of the participant. Other types of coding are more in tune to the use of specific words or phrases; however, I was more interested in coding ideas and themes, which involved some interpretation on my part. Finally, in the findings and analysis presented in the next two chapters, I give participant quotations verbatim, with some extraneous language (e.g. "you know") omitted. Deletions are represented with ellipses.
The documents I collected are not cited in the text of this study. I decided it was too cumbersome to analyze the documents on top of the interview transcripts given the scope of this study. They have, however, served as supplementary data to the interviews, assisting in the verification of certain points of information, and have been useful for keeping abreast of recent developments since I conducted the interviews (i.e., the on-line agendas and meeting minutes).

Validity and Limitations

All data collection and analytic strategies, whether qualitative or quantitative, have strengths and weaknesses. Berg (2001:3) describes qualitative research as referring to the “meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things. In contrast, quantitative research refers to counts and measures of things.” In practice, however, they are often combined, as when I open coded my transcripts, a qualitative method, and then proceeded to count the frequencies of certain codes, a quantitative method. However, my research for this study is largely qualitative. The vast majority of the data is written text, obtained through interviewing the study participants and subsequently transcribing their spoken words.

In theory, the content analysis I completed should be reproducible by someone else. I tried to be as systematic as possible when interpreting and evaluating the responses of the participants and “summarizing” their perspectives into categorical “codes.” I also repeatedly checked over my coding categories to look for inconsistencies, overlapping or unclear codes, or other problems, and revised them accordingly. The overall aim of this revision was to ensure that each code was mutually exclusive.
My choice to use an inductive approach stemmed from my desire to present this research from the perspective of the participants. I am an outsider to Indianapolis, unfamiliar with the nuances and realities faced by residents there. Thus, the words of the participants’ best reveal how water privatization and public participation intersect in their circumstances. This will be reflected in Chapters Four and Five when I use numerous direct quotes from the interviews to demonstrate the findings. Berg (2001:246) summarizes this approach by saying:

[In] order to present the perceptions of others (the producers of messages) in the most forthright manner, a greater reliance upon induction is necessary... The development of inductive categories allows researchers to link or ground these categories to the data from which they derive.

Furthermore, grounding the categories to the data also allows for extension to established theory.

With that said, I began this research with prior knowledge of water privatization and public participation in the U.S. This knowledge contributed to the questions in my interview guide and how I framed the interviews. Thus, there is some balance between my own perspective at the beginning of the research process and that of the participants throughout the remainder.

There are also certain limitations to my research approach. First, my participant sample is relatively small at only seventeen people. Making conclusions can be challenging with such a small sample. Since I was only interested in interviewing “key players” in the partnership, however, I think the sample was sufficient and represented a spectrum of interests and perspectives. In the same vein, limiting my research to only one U.S. city may also be a weakness. As I described in Chapter Two, every U.S. city has a
unique set of political, social, economic, and ecological circumstances that cause them to consider or enter into a public-private partnership for their water utility. Thus, making any comparisons between Indianapolis and other cities, or applying any conclusions drawn from this research to other partnerships, may be difficult. Even though every city is different, however, I think some room still exists to use the perspectives of these study participants, and what can be learned from them, in other locations, and in relationship to existing theory. Lastly, Berg (2001:259) argues that an additional limitation to content analysis is that it is "ineffective for testing causal relationships between variables," especially when presenting frequencies and patterns in the data. Therefore, although I will present the relative frequency of certain perspectives, these frequencies only serve to give the reader a sense of the extent to which a theme recurred among the interviewees.

Concluding Thoughts

Qualitative research can be an extremely challenging and rewarding process. While it is often more difficult to grasp than its quantitative counterpart, it can also be enormously fascinating. As social beings, there is something matchless about being exposed to the unique perspectives of other people, and hearing those perspectives through their own words, especially when we can relate our own experiences to theirs. I hope this research, and the research approach I chose, serves to adequately represent the perspectives of the participants in Indianapolis. Moreover, with the addition of my own perspective and analysis, I hope some new ideas and understanding, however small they might be, may emerge as a result.
CHAPTER FOUR

CHANGING HANDS: VIEWS ON THE DECISION-MAKING PROCESS AND PUBLIC PARTICIPATION

The next two chapters present the findings of this research, with analysis interspersed throughout. Together, the chapters support the central argument of this paper: the intersection of water privatization and public participation in Indianapolis has produced mixed results with respect to authenticity. Some of the results mirror the cautions and concerns found in the literature about these issues, including a lack of transparency in the decision-making process, poor timing of the public participation, and inadequate public outreach and education throughout the decision-making process and the ongoing partnership. On the other hand, some of the results represent new, hopeful and positive developments, including Veolia’s support for public input into its operations, the continuing growth of the advisory groups, and the connection between the Citizen’s Advisory Group’s evaluation of Veolia and a percentage of Veolia’s incentive payments. Whether these new developments will produce authentic public participation remains to be seen.

The chapters roughly follow a chronological order pertaining to the events in Indianapolis. This chapter begins with a reiteration of the basic circumstances surrounding the decision-making process and preceding events, followed by a description of the study participants’ perspectives on the decision-making process that the City of Indianapolis went through to form the public-private partnership. This includes the participants’ opinions on who participated, what went well, the concerns they have, and
why they think the City bought the IWC and formed a public-private partnership for its management (as opposed to other management options).

The Decision-making Process and Preceding Events

After acquiring the privately-owned, publicly-traded Indianapolis Water Company (IWC) in 1997, NiSource, Inc. conducted negotiations to merge with the Columbia Energy Group, a regional gas company, from the summer of 1999 through November 2000. After this merger was completed, federal regulations forced NiSource to sell some of its non-gas related assets, including the IWC. In August 2000, the City of Indianapolis discovered they had right of first refusal for the IWC and they conducted due diligence proceedings to accurately determine the IWC’s assets. Then, in July 2001 they signed a letter of intent to buy the IWC for approximately $515 million. In December 2001, the City formed the Department of Waterworks and its governing board, the Board of Waterworks, to receive the assets of the IWC. They also issued a Request for Proposals from private corporations to operate and manage the soon-to-be publicly owned water utility. Four months later, on April 30, 2002, they officially bought the IWC. The following day, May 1, 2002, USFilter (now called Veolia) took over management of the utility.

In general, two decisions were made. First, the City decided to buy the IWC. Second, it decided to form a public-private partnership to manage the water utility. It is difficult, however, to separate these two decisions in the interview data, especially since they happened simultaneously. Some participants had knowledge and views on both decisions, others only on one, and some on neither. Thus, when I refer to the “decision-
making process,” I am referring to both decisions and the time frame described above starting with the City’s involvement after November 2000. When necessary, I will be as clear as possible about which decision a participant is referring to, or whether they are referencing the entire process generally.

Only nine out of the seventeen participants were directly involved in the decision-making process in some way. Of those, some were intimately involved, either as decision-makers or consultants, and others were peripherally involved as citizens or IWC employees providing input. However, all of the participants expressed some perspective on the process, even if their direct involvement did not begin until after the public-private partnership began.

Who Participated

According to the study participants, the people who participated in the decision-making process fell into four categories: 1) elected officials in the City-County government, 2) hired consultants to the city, including engineers and law firms, 3) members of the public, and 4) IWC employees and union representatives. I characterized these four groups of people as supporting, opposing, or being neutral about the decisions, which is how these findings are presented below. I was interested in this characterization because I thought it would be useful to understand the degree of support and opposition to the decisions and whether certain groups of people tended one way or another. Ten of the participants had views on who opposed the decision, six on who supported it, and four on parties that were neutral.
Supporting the decisions

According to the study participants, the vast majority of people who supported the decisions were elected officials in the City-County government (Indianapolis has operated under a consolidated City-County government, often called Unigov, with the City of Indianapolis and Marion County, since January 1970; they also have a City-County Council). The most often-cited people were the President of the City-County Council, Beurt SerVaas, and Mayor Bart Peterson. For instance, Carlton Curry, the City employee who oversees the contract, said in regards to the decision to buy the IWC, “Initially, the idea [came from] the President of the City-County Council and the Mayor, who happened to be of opposite parties.” Also, two participants mentioned that there was a “bi-partisan majority” on the City-County Council supporting the decisions. However, others disputed this, arguing that the supporters were primarily Democrats, with a few Republicans crossing the partisan line to form a majority. These Republicans included Beurt SerVaas and the Chair of the Public Works Committee, Beulah Coughenour, who oversaw the initial meetings on these decisions. Alan Kimbell, former IWC executive and former Board of Waterworks member, described the tension in the City-County Council by saying, “There was a divided opposition and...there were three or four Republicans who went along with the City’s plan and the Mayor had all the Democratic Council members lined up...”

Thus, while there is some dispute about whether the support of the City-County Council was strongly bi-partisan or not, the main support for these decisions came from within the City-County government. There was also strong leadership by the Mayor and the President of the Council, with all six of the participants that commented on supporters...
mentioning these two individuals. The reasons for support are discussed in a subsequent section.

**Opposing the decisions**

Ten participants commented on opposition to the decisions. Eight of these people mentioned members of the City-County Council, including members who opposed the sale of the IWC to the City and those who believed its management should be put under the public trust of Citizens' Gas. For instance, Alan Kimbell said, "Some of the council members felt...that it should’ve been handled through the gas company. Others, the very conservative wing of the council, felt the city shouldn’t be in it at all and it should be sold to whoever would buy it." Some of the participants did not make this distinction, however, simply expressing that there was opposition in the City-County Council. Employees of the IWC and their union representatives, "environmentalists," and people concerned about larger issues of privatization and foreign management were also mentioned as opponents, but only by a few study participants. The most visible opposition, therefore, was internal to the City-County Council, with a few external groups such as IWC employees coming forward to raise concerns.

**Neutral participants**

Lastly, some people and groups were mentioned as being involved in the decision-making process as “neutral” parties rather than visible supporters or opponents. Four study participants commented on these neutral participants. They cited the Public Works Committee on the City-County Council; attorneys hired by the City; technical
consultants and engineers who wrote the Request for Proposals, evaluated the proposals, and made final recommendations to the Council on the choice of a private partner; the union at the IWC; various citizens at one or many public hearings that was held before the Public Works Committee; general consultants to the City; and NiSource, during the negotiations to buy the IWC. There was some dispute, then, about the extent of public involvement, with one participant citing only one public hearing and another contending there were many. This discrepancy is addressed more in following sections.

A Summary

Considering the supporters, opponents, and neutral parties described above, elected officials in the City-County government fell into all three categories. They constituted the most frequently cited support and opposition, and were roughly divided along partisan lines (Democrats supporting, Republicans opposing, except for a few Republican leaders who were supporters), with some dispute about the extent of this division. The opposition in the Council was also divided between those opposing the sale of the IWC to the City and those opposing the choice of management through a public-private partnership. Hired consultants to the City were characterized as neutral, although clearly they were working for and with supporters of the decisions. Members of the “public” were referenced as being in opposition, and were characterized as “environmentalists,” those concerned with larger issues of privatization and foreign management, and as simply the “public.” Finally, the employees of the IWC were noted as being in opposition, with the union being either opposed or neutral about the process.
What Went Well: Positive Aspects of the Decision-Making Process

With the participants in the decision-making process outlined, we can now turn to the perspectives of the study participants on the decision-making process itself. To begin with, what went well? Seven of the seventeen participants commented on this question, with two simply stating "Nothing". The answers of the remaining five participants included: 1) the good working relationships of those involved in the decision-making process, 2) public involvement, 3) details of the contract negotiations, and 4) protecting IWC employees from layoffs. Each of these categories is addressed in turn below.

Working together

The most often-cited positive aspect of the decision-making process was how people worked well together, with five people referencing this aspect. This was characterized in two ways: 1) working well together inside the official decision-making process, and 2) positive relationships that developed outside of the official process. For instance, Carlton Curry, the City employee overseeing the contract, noted,

We had incredible cooperation among the various groups of legal, fiscal, engineering, citizen groups. We had incredible cooperation all through that and people felt that they had a voice in the various public hearings, things of that sort. Oh, there’s some people that said – There should have been more [public hearings], etc. But by and large it went very well and we put this together in a...very short period of time. That could not have been done without a tremendous amount of cooperation and hard work.

The general thrust of Curry’s comment, therefore, refers to the official process that took place within the City-County government and the general cooperation of everyone involved.
On the other hand, two participants described new alliances that developed between environmental and labor groups outside of the official process. Tim Maloney, Executive Director of the Hoosier Environmental Council, said, “I think we developed some new alliances as part of the process in terms of...getting to know the union people and their getting to know us and...that may lead to some constructive alliances in the future.”

Additionally, Glenn Pratt, a member of the Technical Advisory Group, described how prior relationships that existed with regards to a public-private partnership for the Indianapolis sewer system assisted in establishing the water supply partnership the Technical and Citizens Advisory Groups. He said:

Because...John Mutz [the first Chair of the Board of Waterworks] and Beulah knew me...I was able to put things [on the agenda]...otherwise, you would not even have the Technical and Citizens Advisory [Groups]. Those were [not] going to be included. But because having worked with a couple of people and having some credibility...they said [that they were] glad that [the advisory groups] happened.

Thus, according to Pratt, relationships that existed prior to the water partnership contributed to the creation of the Advisory Groups, which he saw as a positive part of the process. Overall, about a third of the participants felt that both supporters and opponents worked well together during the decision-making process.

Public involvement, contract details, and employees

Three of the five participants who identified positive aspects of the decision-making process mentioned public involvement. This included the belief that people were
given a voice at the public hearing and that given the time constraints, citizen groups did well at raising awareness about the partnership and soliciting scrutiny from the Council.

Additionally, two participants characterized the formation of an incentive-based contract positively. Carlton Curry, in reference to the fixed-price incentive contract, said, “We want to try to keep this as competitive as we can, and so the way to do that is to place these boundaries on an operator who would have...a motivation to achieve a desired result.” In other words, the decision to construct the partnership contract so that part of Veolia’s yearly payment from the City (25 percent) is based on meeting certain performance measurements provides a financial incentive or motivation for them to hold up their part of the bargain. The choice to create an incentive-based contract echoes Gleick et al.’s (2002:41) recommendation to include “explicit performance criteria and standards” in the contract to ensure transparency and accountability by both partners. As far as I know, this is the first time this type of contract has been used for a water supply partnership and with such a large utility. Furthermore, the specific incentives are important; for instance, one of the incentives relies upon the yearly evaluation of the Citizen’s Advisory Group (CAG). If Veolia does not get at least an 85 percent satisfaction rating from the CAG, they lose 1 percent of their total incentive-based payment. Also, the incentives change throughout the contract, requiring higher performance levels as the contract progresses. This level of direct influence may be a new development in how the public is allowed to participate in an ongoing public-private partnership, along with being a very tangible avenue of influence. The Advisory Groups will be discussed in detail in Chapter Five.
Lastly, two participants described positive aspects related to the IWC employees. These aspects included that the City instituted a moratorium on layoffs for the first two years of the contract, Veolia committed to honoring the bargaining agreement of the unions, and some government oversight was retained with regards to the reasons for any future layoffs. Also, good retirement packages were granted to those who retired during the acquisition process. During their review of U.S. water privatization, the National Research Council (2002) concluded that workforce issues need to be seriously considered. As I describe below, however, while there have been positive intentions in terms of the moratorium on layoffs, etc., workforce issues have been very contentious in the IWC partnership.

Accordingly, only five of the participants had anything to say about what went well during the decision-making process (some of the abstentions were due to lack of knowledge but two people said outright that they thought nothing went well). With this minimal response to the positive aspects, the logical next question is: what are the participants' concerns about the decision-making process? If so few things went well, what were the challenges and concerns?

**Challenges and Concerns about the Decision-Making Process**

Study participants had much more to say about their concerns than they did about what went well during the decision-making process. These concerns fell into the following categories, in decreasing order of frequency: 1) contract details, 2) public involvement, 3) legal issues, 4) time issues, 5) employees, and 6) politics. They are presented in this order below.
Contract details

Fourteen of the seventeen participants expressed concerns about some aspect of the contracts themselves (I am calling the agreement of sale a “contract” although it is not ongoing like the partnership contract). These concerns addressed specific details of the contracts and the contract negotiations with both NiSource and Veolia. The most often-cited concern was that the City paid too much for the utility, as six people expressed. Alan Kimbell argued, “They paid way too much for this utility and any leader of a private water utility in this country would tell you that they wouldn’t have come close to paying what the City paid for this property.” Jim Bradford, a Republican member of the City-County Council, also expressed, “We paid too much for this utility. There’s no way that we’re ever going to be able to recoup the money that we have sunk into this thing.” And finally, John Price, the plaintiffs’ lawyer in the two lawsuits filed against the City, said, “They paid at least twice what it was worth based on what it had sold for not too many years before” (NiSource bought the IWC for $288 million and then sold it for $515 million five years later; Miller 2003). The participants disagreed about how this price was set. Some believed the Indiana Utility Regulatory Commission (IURC) established the price, while others argued that it was simply negotiated by the City and Veolia. However, Jerry Webb, Director of the Gas/Water/Sewer Division at the IURC during the decision-making process and today, commented, “We were the ones. The Commission was the one that established the purchase price. We had the authority to do that. So they filed with us to determine the purchase price and approve the sale.” Whether it was through negotiation or through the IURC, the purchase price was certainly an area of concern.
Also, some participants believed that the price will continue to impact the City in the future due to the interest on the bonds issued to raise the $515 million.

Another concern that five participants expressed was that the decision was “steered” to hire Veolia for the contract and that one of the other bids was actually more appealing. Clarke Kahlo, Program Director of the non-profit Protect Our Rivers Now, remarked:

I think they were steering the whole process to hire USFilter...they shortlisted to United Water and USFilter and there may have been another one but it appeared that they were working hard, that the Board [of Waterworks] was predisposed, prejudged, predetermined, that they would award the 20-year contract to USFilter.

One reason given for this perception was that the other company, United Water, is in charge of the public-private partnership for Indianapolis’s sewer system, a contract negotiated under a prior City administration. Thus, United Water “worked for the enemy,” as one participant put it, and Mayor Peterson’s administration did not want to give them an additional contract. This perception of the City administration “steering” the process towards Veolia suggests a lack of transparency about the reasons Veolia was chosen, mirroring Gleick et al.’s (2002) caution about making sure negotiations are open and transparent. Clearly, it is not completely understood what made Veolia’s bid more appealing than the bid of United Water. The study participants’ concerns about public involvement will further illuminate this topic of transparency and perhaps shed some light on why five of the participants did not trust the City’s decision to hire Veolia.

Next, four people also believed that the contract was underbid by Veolia, making their bid financially more appealing. On the other hand, two other people argued that United Water underbid the contract even more which is why the City ultimately chose
Veolia. Greene (2002) notes that this is a common problem with privatization. Corporations purposely bid low on contracts with the hopes of recouping their losses in the future. Whether this was actually the case in Indianapolis is unknown; however, Jean-Michel Seillier, the Veolia employee who oversees the contract, did note that while Veolia has been losing money, they have been losing less with each subsequent year. He remarked, “The first year we are talking about $10 million [in losses], the next year it was $5-6 million. And this year is going to be minus two, and next year it will be just minus a little thing… the break even [point] is going to be… 2009 or 2010 where this will be a profitable project.” Perhaps since corporations can now sign twenty-year contracts with cities (Hobbs 2003), the dynamics of bidding are changing because the private partners now have more time to recoup their initial losses. It is impossible to establish whether the contract was underbid, but important to note that this common concern exists with respect to the IWC partnership.

In general, concerns about details of the contract and the transparency of the decision-making process seem to be intimately connected. Did the City pay too much for the IWC? Was the decision-making process “steered” towards Veolia from the start? Was the contract underbid? All of these questions stem from a lack of knowledge and understanding on the part of the participants about the reasons for the decisions, producing skepticism and doubt in the decisions themselves. One participant even described how the perception that the Board of Waterworks is uninterested in public participation “contributed to the general level of citizen suspicion and distrust and skepticism with the whole process.” To understand this better, the participants’ concerns on public involvement is addressed next.
Public involvement

Public involvement was a major concern, with ten people commenting on it. The concerns fell into four sub-categories: 1) negotiations happened “behind the scenes” and the partnership outcome was predetermined from the beginning, 2) public input was not taken seriously and even discouraged, 3) the April 30th deadline agreed upon by the City and NiSource inhibited adequate public involvement, and 4) more public outreach should have occurred.

A Predetermined Outcome? Seven participants believed the decisions were primarily negotiated behind closed doors, resulting in a “predetermined outcome” when the public was finally given the time to provide input. Tim Maloney, Executive Director of the Hoosier Environmental Council, remarked,

From the outside it looks like it...had all the makings of a sweetheart deal. [A] lot of negotiating was going on behind the scenes...it was almost a predetermined outcome when it came to the formal, official proceedings and official decision...it was more or less presented as a done deal...and that caused a lot of skepticism and suspicion over the process and whether the city had made the best deal and chosen the best applicant for the position...

Thus, according to Maloney, the “predetermined” nature of the decisions created suspicion over the decision and the decision-making process. TAG member Glenn Pratt also commented that:

The decisions that are made are all behind closed doors. And there is no real citizen participation. How much should citizens participate? How much do citizens want to? But you can seek out those people who do have interest and try to get their input as opposed to them having to break down the door.
While Pratt recognized that there may have only been a small group of citizens that wanted to provide input, he believed the City erred in not proactively seeking these people out. The issue of creating space for public involvement at the end of the decision-making process, mentioned by Maloney, comes up frequently in public participation literature. Webler and Renn (1995) call this a form of “therapy” where citizens are asked to participate after a decision has been effectively made (although perhaps not officially). Chess and Purcell (1999) also discuss the “reactive” position the public is often put in when they are only asked to respond to issues after they have been narrowed down to a final option, rather than participating in a discussion of all of the alternatives. In this case, there seems to have been only one public hearing before the Public Works Committee about these decisions, along with public comment periods at the City-County Council meetings. Although one participant suggested there were many hearings, Beulah Coughenour, Chair of the Public Works Committee at that time, remarked that there was only one, and that there were only “two or three” members of the public present. This suggests that the public was only minimally involved in these decisions, and lends weight to the perception that much of the negotiations occurred “behind closed doors.”

Furthermore, Jim Bradford, a City-County Councilman, remarked that, “through this whole process a lot of us on the City Council felt...that the ship had already left the port...and we tried to bring up to the Council that we had problems with this...Now, they’ll tell you that they spent all this time, but they didn’t do it in public. They did it in private.” There were issues, then, of negotiations happening behind closed doors within the City-County Council itself and with respect to public input. Given the large scale of the City-County Council in Indianapolis (it has 29 members), most decisions are
discussed in committees first and then brought to the larger Council for final discussion and decision-making. If Council members tried to raise alarms about the process and were discouraged or ignored, that is significant to our understanding of the decision-making process overall.

**Discouraging public involvement.** Eight study participants believed that public concerns were openly dismissed or that the City was not receptive to public input, either from members of the “general public” or the employees of the IWC. Tom Plummer, a current employee of the IWC, stated, “When they started having...City Council meetings on the issue, I requested that I could speak in front of the Council and they denied it. That’s part of my First Amendment violations, that they wouldn’t let me speak.” (Plummer was the lead plaintiff in the class-action lawsuit filed against the City to recoup alleged losses of employee benefits since the inception of the partnership; the only count the lawsuit won related to violations of his First Amendment rights). He also said,

> I went [to a City-County Council meeting]...and it was never opened up to allow people to come up and speak. And after it continued and we would get up there and they would just not let us speak, [they said], ‘We’re not going to hear you tonight. And it’s not open to public testimony. We’re not going to allow you to speak.’

Tim Maloney also said, with respect to the City administration in general, “They were never very responsive to the critics or really tried to...in good faith, address the criticisms. They just blew them off and were very dismissive of the criticisms...I think they basically circled the wagons and dismissed the critics.”

The Board of Waterworks meetings are another venue where participants believed public input was discouraged. Glenn Pratt remarked, with regards to these meetings,
They fought public participation. The attorney to the board, in fact, tried to convince John Mutz [the Chair of the Board of Waterworks] that he...should not even allow public comment. [Later, under a different Board President], the attorney convinced [the new President of this, and] public comment was cut off until citizens appealed to the Mayor.

Finally, the President of the largest union at the IWC, Bob Reed, said,

We met with City officials...and now I know why they met with us. Because of this bid process there was a gag order on everything because of the five businesses that were trying to bid. They didn’t want us out talking to them and they [were] trying to get the best deal from each one, and they [asked] us at one point if we could just be neutral and not talk to either one of them.

The decision-making process, then, may have lacked “authentic” participation, as described by King et al. (1998). Plummer described how he was not allowed to speak at City-County Council meetings. Maloney remarked that critics were not listened to or taken seriously. Pratt indicated that public comment was completely cut off for a few months at the Board of Waterworks meetings. And Reed said that the union was asked not to communicate with the potential private partners. All of these perspectives suggest that public input was not taken seriously by decision makers, and perhaps even actively discouraged. Alternatively, this may be an issue of different expectations of decision-makers and the public about what public involvement actually means, such as Roberts’ (1995) distinction between public “consultation” and public “participation.”

**Impacts of the April 30th deadline.** A third area of concern with respect to public involvement was how the April 30th deadline for the sale of the IWC inhibited public knowledge and input into the decision-making process. Five participants, or half of the ten that commented on public involvement overall, expressed this perspective. For
example, when asked about public participation in general, lawyer John Price answered, “There was zero. They didn’t give anybody enough time. It was all done in six weeks...In terms of public input, public interest groups, consumer utility advisors, none of these people had enough time, or lead time, to get involved. So it was almost done in a vacuum.” Furthermore, Alan Kimbell, former IWC employee and former Board of Waterworks member, remarked, in reference to public involvement, “They didn’t have time. They rushed the decision through the various boards and council hearings and then the full Council and the public just didn’t get involved in the discussion.” This deadline was certainly unique to Indianapolis, and how the deadline was established remains unclear in the details (it is discussed more below in the section “Issues of timing”).

Only nine months passed between the letter of intent the City signed to purchase the utility and the sale of the utility and establishment of the partnership. On the other hand, nine months is a substantial amount of time, and perhaps with the right leadership and initiative, considerably more public involvement could have been organized. At the very least, as Glenn Pratt suggested, citizens and groups that clearly had an interest in the water supply could have been proactively consulted.

Lack of public outreach. Lastly, one participant mentioned that there was an inadequate amount of public outreach to educate the community on the decision-making process. Jim Bradford, City-County Councilor, said,

What they should’ve done, they should’ve gone out and had town hall meetings at each one of the townships and did that kind of thing but they didn’t do it. They knew they didn’t have to do it. They were just going to follow the steps of the law that they were required [to]...having a public meeting with Beulah Coughenour [Chair of the Public Works Committee] and that was it.
This sentiment echoes Gleick et al.'s (2002) suggestion that cities conduct public outreach and formal public review prior to the signing of any contracts or agreements. While only one participant made this suggestion, it seems clear that the City of Indianapolis did not conduct any public outreach beyond the one public hearing that was scheduled.

**Legal issues**

After public involvement, legal issues were the next most-cited concern among the study participants, with nine participants citing this issue. While there were a few legal issues addressed, the most prominent issue revolved around the legality of the public-private partnership under the laws and statutes of the Unified Government (Unigov) between the City of Indianapolis and Marion County. All nine participants expressed this concern.

In short, a lawsuit was filed on behalf of a group of Marion County citizens alleging that, under Unigov law, any new public utility shall be placed under the management of the Department of Public Utilities, and specifically under the public trust that currently manages the Citizens Gas and Coke Utility (see Appendix C for the specific statute referenced). Jack Miller, President of the Indiana Alliance for Democracy, Board Member of the Hoosier Environmental Council, and a journalist, stated, “There’s a law, the Unigov law, that states that any new utility has to be put under Citizen’s Gas…it’s black and white.” Furthermore, John Price, the lawyer that filed the Unigov case against the City, said, “In the text of the Unigov statutes, one of the things that they required was that if the City ever buys a utility, it has to be under the public charitable
trust that operates the Gas Company.” And finally, Clarke Kahlo remarked, “[The] Unigov statute contains mandatory language that water utilities and electric and gas shall be operated by the Department of Public Utilities.”

The participants’ perspectives on why or how the City circumvented Unigov suggest that the City simply ignored the statutes. Jack Miller explained this by saying, “They pay a lot of money for these outside law firms to come in and tell them how they can get by with this...the gist I got was that [the law firms] said, ‘Nobody’s going to care...Go ahead and do it.’” Citizen activist Clarke Kahlo concurred by saying, “They paid Somers and Barnard, this big law firm in town, they paid them I don’t know how many hundreds or thousands or millions to basically circumvent state law, the Unigov statute.”

This concern echoes those described above about the details of the contracts, suggesting distrust in the City’s choice of management and frustration at not having a clear answer as to why they did not choose the public trust option. While Carlton Curry did remark that it was “debated at some length about how best to govern this thing,” this debate apparently did not happen in a public forum.

**Issues of timing**

The compressed time frame of the decision-making process was another concern. Eight participants cited this concern, with four of them believing that the City administration should have taken more time with the decisions in general. Three participants commented on the deadline itself, with some thinking that it was legitimate
and others not. Finally, three participants openly questioned the honesty of the deadline, even proclaiming it to be an outright lie.

The deadline itself was supposedly negotiated by the City and NiSource. However, the details of this are unclear and the interview data provides differing views on what actually happened. One participant said that it was “imposed by NiSource,” while another remarked that NiSource simply “used” the deadline as a way to get more money out of the City. Jack Miller stated that it was a “lie” and it was:

a cover story because they have the right of eminent domain and the state told them they did. They could’ve condemned that property and given them a fair market price for it. NiSource didn’t have any right to be telling the City that they had to sign this thing by April 1st or whatever it was [it was April 30th]. They didn’t. I mean, they did [tell them that] and Mayor Peterson, for some reason or another, which we haven’t figured out yet, went along with it. But I think it was mostly so he could have the cover of doing this thing just like that [in a short time frame].

Regardless of how the deadline was agreed upon, it clearly had an impact on the decision-making process, forcing everything to happen, as Carlton Curry put it, “in a very compressed period of time,” and on an “incredibly short time schedule.” This short schedule also impacted the extent of public involvement and generated skepticism and distrust in the process itself.

Employee issues

The fate of the IWC employees was an additional concern for eight of the study participants. The most prominent concern related to the letter Mayor Bart Peterson wrote to the employees and retirees of the IWC in July 2001 (nine months before the partnership began) stating that regardless of who was chosen as the “professional third
party manager,” the employees’ benefit packages would be protected (see Appendix D for the text of this letter). There is continued dispute about the circumstances of the current benefit package, with the City maintaining that benefits have actually improved under the partnership and some of the employees claiming that they have been drastically reduced. Each side did their own analysis and produced different figures supporting their claims, so it is difficult to say who is right and who is wrong. However, a group of employees did file a lawsuit against the City, as noted in Chapter Two, over the loss of promised benefits (as stated in the Mayor’s letter), and a ruling was issued in August 2004. According to Tom Plummer, the lead plaintiff in the case, the judge dismissed eleven of the twelve counts “because all the promises from the City Administration and USFilter came before the City had fiduciary responsibility over the utility.” Thus, the Mayor’s letter was not legally binding. The twelfth count was issued in the employees’ favor, however. According to Plummer, Federal Judge Hamilton stated in his response, “The court must give the plaintiffs the benefit of their factual allegations and of the most favorable reasonable interpretations of documents. The court must assume, therefore, that the assurances in the Mayor’s letter were deliberately false.” This gave the employees “the only satisfaction that we got out of this fight,” according to Plummer. Thus, transparency in regards to how the partnership would impact the employees of the IWC seems to be a significant issue and it has obviously spilled over into the ongoing workings of the partnership through the lawsuit. This lawsuit is discussed further in Chapter Five during the discussion of present-day concerns.

Other concerns that emerged with regards to IWC employees included that the employees would not have wanted to become City employees if City management had
been considered; that the employees were unrealistic in expecting the same benefits; and that the union tried to “work outside the box” on their new benefit package but received no support from the City in this endeavor.

Politics

The next major category that emerged as a concern among the participants was the influence of politics on the decision-making process, with seven participants commenting on it. The concerns about politics were characterized in different ways. Four people suggested that politics may have influenced the decision-making process because it occurred during an election year. For instance, Tim Maloney said:

I think we [citizen groups] had a lot of disadvantages in terms of our involvement as well as really gaining enough interest and support from critical officials like some of the City-County Council members in terms of their really being willing to go to the mat [and]... scrutinizing this and following through, [since we were] in the midst of an election season.

Therefore, Maloney suggested that the election season may have made City-County Councillors less willing to become involved in a potentially controversial issue such as the public-private partnership. Beulah Coughenour expressed a similar sentiment by saying, “The year we did that [make the decisions] it was getting close to an election year and you have a lot of politics involved.” She did not go so far as to suggest it restricted Council members from being involved, however, as Maloney did.

Furthermore, three participants were concerned that politics may have influenced the decisions because politicians’ focus on elections restricts them from taking a long-term view in decision-making. Interestingly, one participant contrasted this with the
private management of the utility, where he thought a long-term view would be more
likely. Joe Broyles, former President of the IWC, stated:

The Indianapolis Water Company...only dealt with the water business and
took a long term view...The future of the Indianapolis Water Company
was tied to the future of Indianapolis so we saw growth in the City as
being a good thing...What we saw as long term was ten, twenty, thirty,
fifty years. Well, the planning horizon for any politician is...maybe the
end of next term, [and] it certainly isn't more than eight years. It's not by
any means the planning horizon you need when you're really dealing with
a utility, especially a water utility when you've got a plan to prepare for,
resources to supply for many, many years [into] the future. So unless you
find a politician who's only looking altruistically, and I don't know that
there are any of those...they're looking to take care of their own, the
people that got them where they are...they just have different interests,
political interests.

Broyles believed, therefore, that a private utility will more effectively plan for the future
than a public utility when public officials are more concerned with their own "political
interests." The structure of the Indianapolis government may contribute to this
perspective. The Indianapolis-Marion County government does not have a City manager
form of government. Instead, all City offices are either elected or appointed by elected
officials and thus are inherently political and possibly short-term. When a new Mayor is
elected, a new City administration comes with him or her.

Chris Burton, the Business Manager for the largest union at the IWC, also
commented on the influence of politics by saying:

They told us they want to keep politics out of it yet they've done
everything to keep politics in it...If they want to keep politics out of it, put
us in the trust [the public trust that runs the gas company]. Right now,
politics plays such a big role here, it's unreal. That's all it is. It's all
political.

Interestingly, critics of privatization cite politics as being good for privatization because
it forces the consideration of issues other than purely economic ones (Greene 2002). A
more specific definition of what participants meant by "politics" may have been useful in this case.

**Why Did They Decide to Privatize?**

The last major topic that needs to be addressed is the participants' perspectives on why the City decided to buy the IWC and form a public-private partnership for its management in the first place. Clearly, Indianapolis was unique in that it was simultaneously negotiating to buy the private utility while also deciding how to manage the IWC once it was publicly-owned. Most cities that consider public-private partnerships already own and manage their utility, and for various reasons are exploring alternative management options. The uniqueness of Indianapolis, however, also makes this question especially intriguing. If City administrators were concerned about the ownership of the IWC, and did not want another private corporation to buy it, why did they then decide to hand over all of its operation and management to a private corporation? Why was local ownership important yet local management was not? Alan Kimbell expressed this question in part by saying:

> The City leadership in both parties [said], we cannot have our water utility, vital to life, owned by some shareholders in France. So they conceived a plan to acquire the utility... The plan was to acquire the utility and then immediately contract the operation of it to one of the handful of international contract operation companies.

By exploring the participants' perspectives on this topic, I hoped to start answering the questions above. I was also curious whether the reasons commonly cited in the literature regarding why cities choose privatization were relevant in this case as well. These include such reasons as increased efficiency through the introduction of competition, the
expertise private corporations can bring to the table, and access to private capital. Finally, by trying to understand why they made the decisions they did, I also hoped to further understand why the public was or was not included in the decision-making process.

In short, sixteen out of the seventeen participants commented on this topic. A variety of categories emerged as to why the City bought the IWC and formed the partnership. These include, in decreasing order of frequency: 1) the history of public-private partnerships and the gas company (Citizen's Gas & Coke Utility) in Indianapolis, 2) a desire for local control, 3) financial reasons, 4) politics, and 5) efficiency.

Nothing new?: Indianapolis history

Ten study participants cited some aspect of Indianapolis's history when giving their perspective on this topic. Nine of the ten specifically described the history of other utilities in Indianapolis, although they characterized this history both positively and negatively. The utility history they described included: 1) how the City tried unsuccessfully in the 1990's to buy the Citizen's Gas & Coke Utility in an effort to exert more control over it (resulting in ongoing dislike among City administrators for the City's lack of control in this area), 2) how the electric company was sold to the private sector with poor results, and 3) the success of the public-private partnership for wastewater treatment (established in the early 1990's and where the advisory groups were originally implemented). An additional historically-based reason was lingering influences of the Goldsmith Administration in the 1990's. (Former Indianapolis Mayor Stephen Goldsmith was nationally known for promoting the privatization of public services; see
Ritchie and Kennedy 2001 and Goldsmith 1997 for different perspectives on his administration.)

Six participants referenced the City’s unsuccessful attempt to buy Citizen’s Gas in the 1990’s or the general dislike for Citizen’s Gas and its autonomy from City influence. Beulah Coughenour, former City-County Councillor and current Board of Waterworks member, remarked, “[We] had tried to buy that company some years back because we thought we could do some good things with it. And they fought us tooth and nail…” On the other hand, lawyer John Price described the situation as follows:

The head of the City-County Council, his name was Beurt SerVaas, had tried about 10-12 years ago, to take over the Gas Company because they wanted to sell it and raise money to build a downtown mall. He soon found that the public charitable trust was set up over a hundred years ago in such a way that he couldn’t sell it. He was rebuffed in his efforts. He couldn’t take it over. And he was ticked about that and so when it came time to buy the water company, he decided, well, I’m not going that route again. I don’t want the Gas Company to operate this because we don’t like the Gas Company. We don’t like the public charitable trust. We’ll create our own political division, which they call the Department of Waterworks.

Finally, Chris Burton said that, “Beurt SerVaas tried, I don’t know how many times, to break the trust [the public charitable trust that oversees Citizen’s Gas] and sell the Gas Company. They could never do it.” Therefore, an historical factor existed in that there may have been some frustration and dislike within the City administration for the governing structure of the Citizen’s Gas & Coke Utility, and a subsequent desire to set up the water utility differently. Former President of the City-County Council Beurt SerVaas was mentioned frequently in the interviews as an influential and powerful figure who did not like Citizen’s Gas and who worked hard to set up the Department of Waterworks as
the governing body for the IWC. Without Dr. SerVaas's perspective on the matter, however, it is not fair to go any further in establishing his influence in this situation.

With that said, there did seem to be a general movement within the City administration to set up the publicly-owned IWC so that the City could have control over its management and operations. Carlton Curry expressed this by saying:

We have another company, called Citizen's Gas & Coke Utility, which is a charitable trust, allegedly managed by the City, as a charitable trust, and it's under a different statute. [The statute] provides it as being [under] the Department of Public Utilities. And there were some people that felt that this operation should go under this umbrella. But some people don’t like the governance structure for that. We wanted to have a much tighter role for Indianapolis Water.

This “tighter role” of the City was partly manifested through the creation of the Board of Waterworks. The Board of Waterworks is appointed by the Mayor, with three members nominated by the President of the City-County Council, three members by the Minority Leader of the Council, and the last member nominated by the Mayor. This creates a bipartisan board with the seventh member (nominated by the Mayor) only voting in the event of a tie. The Board of Waterworks is, therefore, the main public body responsible for overseeing the operations, management, and budget of the IWC, in partnership with Veolia. This is a different governance structure than the public charitable trust that manages Citizen's Gas in that the leaders of the City-County Council and the Mayor have direct influence over who is on the Board.

Is this direct influence by the City administration positive or negative? This leads into the next most-cited reason why the City decided to buy the IWC and manage it through a partnership: local control.
Local control

Seven participants mentioned local control as a reason for buying the IWC and managing it through a partnership. Five of them commented on local control in general, viewing this as a positive alternative to ownership by another private corporation. Six participants, on the other hand, believed that the City administration specifically wanted more control over the IWC because the public trust could not provide this, as partly described above.

First, only one participant explicitly said that he thought that a privately-owned utility was a better choice than a publicly-owned one. All of the other participants, no matter what their views were about the public-private partnership, thought that the new local ownership was a positive development. According to Alan Kimbell, former IWC employee and former Board of Waterworks member, “The City leadership in both parties [said] – we cannot have our water utility, vital to life, owned by some shareholders in France.”

What exactly the City intended to do with this new control, however, was an area of contention. Beulah Coughenour argued that, “[Citizen’s Gas is] publicly a trust of the City, but there is a self-electing, self-promulgating Board. There’s never any public involvement. They have no accountability to anybody...[There’s] no public input...at all.” She felt that by creating the Board of Waterworks, the City would have more control over the IWC. By comparing it to Citizen’s Gas, she remarked, “[If] you don’t have any way to have any input after you let loose of it, then how can you make sure it’s successful?” Thus, by having more oversight over the IWC than they currently have over Citizen’s Gas, the City will be able to better manage the utility.
On the other hand, some participants felt that increased City involvement was negative. Chris Burton, for instance, said:

Well, here's my fear...Somewhere down the road, whether it's next month, next year, or ten years, twenty years from now, the City's going to be needing some money. And somebody's gonna have that light bulb go off, and say, let's sell the water company. Look how many millions of dollars we can get if we sell the water company. Then who knows what's going to happen here. And if we were in the trust that could never happen.

Burton, therefore, views increased City control as leading to less stability and he does not trust the City administration to manage the IWC for the long-term. He makes a distinction between the "City" and the "public," believing that public ownership is good but not with control by the City administration. His ultimate fear is that the City will sell the IWC someday, whereas being governed by a public trust is more stable. Chris further elaborated on this belief by saying:

We [leaders of the union] had a meeting with the Mayor, and we asked the Mayor about the trust, and he told us, no, that they weren't interested in going that way because they can't tell the Gas Company what to do. He said, and this is his words now-- 'The Gas Company does what they want to do and they'll call us and say, 'Hey, this is what we're doing,' so they're [the City] still in the loop. Like they're in the loop a little bit, he said, but they [Citizen's Gas] do what they want. [He said,] 'We don't have any control over them.' They want control here. So that if they ever want to sell it, they can.

Hence, while local control was important to almost all of the participants, where they wanted that control situated -- either in a public trust under the Department of Public Utilities or through the Board of Waterworks -- differed. Some felt that legally the IWC belonged under the public trust (as illustrated by the lawsuit that was filed against the City), while others believed that the public trust would provide a more stable and less political environment for managing the utility. Others believed that the City needed a
stronger hand in the management of the IWC, and this was accomplished through the creation of a Department of Waterworks and the establishment of a public-private partnership.

Financial reasons

Six participants mentioned a variety of financial reasons as a basis for the decisions. Their reasons included that the City could make money from a partnership for other public programs (although as far as I know, money earned by the IWC is exclusively earmarked to cycle back into the company); City ownership provides tax advantages; the City felt that the IWC employees were overpaid and a private manager would be better equipped to accommodate this; and, well-connected people within the City-County government served to financially benefit from the partnership.

Clearly, a municipal government does have financial advantages over a private corporation in its ability to acquire low-interest loans and bonds to finance capital projects. The other concerns, however, cover a broad spectrum, and are difficult to relate to one another.

Politics

Politics was another reason given for the decisions, with five participants mentioning an aspect of this topic. Three participants felt that the political impacts of campaign contributions played a role in the decisions. For instance, TAG member Glenn Pratt commented, referring to the final choice between USFilter and United Water, "[It was about] who's on your side and who's made contributions and who hired all the right
people. You know, who did United Water hire as part of their thing and who did USFilter hire?...There was all types of alleged shenanigans that went on.” Other perceptions included that the partnership was a compromise between the Mayor (who wanted to buy the IWC) and Republican Councilors (who wanted the IWC to remain private), and that Council President Beurt SerVaas simply wanted to leave a “legacy.” While politics may have played some role in the decisions, then, there were various views on how great the extent was and in what way politics contributed.

**Efficiency**

Finally, efficiency was given as a reason for the decision to form a partnership by five participants. This included the belief that cities do not manage utilities well because they have a lot of “red tape”; that the City was incapable of running the IWC; it is difficult to run a formerly for-profit corporation in a non-profit way; and that the partnership would allow the City government to operate more efficiently. As with other categories, the participants characterized “efficiency” in very different ways. Some felt the government itself could not be efficient enough to operate the IWC successfully, while others felt that the partnership would provide the efficiency that comes with running the utility as a “business.” While these are similar characterizations, they are different in that one focuses on the inefficiency of the government and the other focuses on the efficiency of the partnership. For instance, Jean-Michel Seillier, the Veolia employee overseeing the contract, remarked, “I think we bring to the table...efficiency. We can run the business in a more efficient manner...than the government.” In some ways, this is ironic in the case of Indianapolis because the government has never operated
the IWC (with the exception of a few years in the late 1800s), making its lack of efficiency entirely speculative. Jack Miller expressed this irony by saying, “You get the usual window dressing that private companies are more efficient and they’re more savvy. But, you know, they came in here and used the same employees...They came in and learned from the employees how to run this water company.” Increased efficiency is a common reason given by proponents of privatization, however (Greene 2002).

Tim Maloney provided an alternate view of efficiency by saying:

[There is] a business model...being embraced by a lot of government people...that we need to operate government more efficiently and that’s fine. I don’t think anyone disagrees that government should be run efficiently...but that’s not the same as privatizing, necessarily. There are plenty of examples of governments that are still in government hands that are being run efficiently and being run well...[To] simply say the only way we can [be efficient] is to turn it over to the private sector is wrong.

Efficiency, then, like politics, may have played some role in the decision to form the public-private partnership. The participants differed in how they characterized this efficiency, however.

Why the decisions were made: a summary

Clearly, with a contract of this magnitude (both temporally and financially), there were probably a variety of reasons why the City decided to buy the IWC and contract out its management to a private partner. Some decision makers may have felt more strongly about one reason over another while also recognizing that there were numerous advantages and disadvantages to any chosen course of action. Given the perspectives of the participants in this study, however, the two most prominent reasons were the various
historical precedents in Indianapolis and a desire for more local control. Financial advantages, politics, and efficiency also played a part.

The historical precedents, such as the success of a public-private partnership for the sewer system and the perception that the City did not have enough control over the gas company, seem to have led the City administration to the public-private partnership alternative quite rapidly. Also, they did not consider the other options with any public input. The history of partnerships in Indianapolis and the familiarity with privatization in general (through the Goldsmith administration, for instance) possibly led, therefore, to alternatives being discussed "behind closed doors" and with little transparency to interested citizens and citizen groups. It seems plausible that if privatization were entirely new, and the City administration was not already familiar with its structure and workings, they may have spent more time discussing its advantages and disadvantages in a more public forum. With partnerships already part of the modus operandi in Indianapolis, however, creating another one may have felt routine and not warranting extensive public involvement. Thus, Indianapolis's history of privatization may have impacted public participation negatively during the decision-making process, reducing formal public involvement to only one public hearing.

In addition, the desire for local control presents an interesting suite of perspectives. While almost all of the participants believed that the increase of local control through buying the IWC was a positive development, they differed on where they thought that control should be situated. Should local control lie with the public trust that operates the gas company? Or should local control reside with the Board of Waterworks, whose members are bi-partisan and appointed by the Mayor? Simply by owning the IWC,
more public involvement is possible. For instance, rules exist requiring public comment at Board meetings and citizens can exert influence through City-County Councilors. Public involvement through the privately-owned IWC was essentially limited to the Indiana Utility Regulatory Commission. Why the City decided to create the Department of Waterworks, rather than go with the public trust, seems to be steeped with suspicion, confusion, skepticism, and conflicting explanations. This indicates a lack of transparency and openness about the reasons for their decision. Furthermore, this opaqueness has continued to impact the public's perception of the partnership to this day, as is indicated in the discussion of present-day concerns in Chapter Five. Finally, considering Indianapolis's history and a desire for local control together begins to answer the question of why local control through ownership was important but local management was not.

Conclusion

The study participants clearly had a variety of perspectives and opinions about the decision-making processes in Indianapolis. Their responses to the four main topics that were covered in the interviews – who participated, what went well, concerns, and why they privatized – produced a wide range of answers. While some of these response categories are more relevant to public participation than others, even the categories that do not have a direct relationship to public participation (e.g. the financial reasons for why they chose a partnership) still provide a useful context for the decision-making process.

The key findings from this chapter include the following:

1) Members of the City-County Council were the primary participants in the decision-making process, and included both supporters and opponents. The public
and the employees of the IWC were only peripherally involved and provided a minimal amount of input.

2) Five participants described positive aspects of the decision-making process, including good working relationships, public involvement, the creation of an incentive-based contract, and the contract provision prohibiting employee layoffs for the first two years of the partnership.

3) The choice to make the partnership contract "incentive-based" echoes Gleick et al.'s (2002:41) recommendation to provide "explicit performance criteria and standards" in the contract. The participants' views on how this type of contract has operated in its first two and a half years are addressed in Chapter Five.

4) Study participants raised a variety of concerns that indicated the decision-making process was less than transparent. These concerns included that the City paid too much for the utility, the process appeared to be "steered" to favor choosing Veolia, the contract was underbid, the IWC should have been placed under the public trust, the April 30th deadline was not legitimate, and the Mayor was dishonest in his letter to the IWC employees. This suite of concerns is impressive and raises serious concerns about the extent to which study participants still feel in the dark about the reasons for the decisions and their frustration with this lack of understanding. Thus, these concerns indicate that the City government did not adequately inform the public about the reasons for the decisions it made.

5) There were minimal opportunities for public input into the decision-making process. These included one public hearing after the decision was effectively made and ongoing public comment periods at the City-County Council meetings.
and the Board of Waterworks meetings. This led some of the participants to believe the outcome was "predetermined." Chess and Purcell (1999) support this perception by discussing how the public is often put in a "reactive" position by being informed at the end of a decision-making process.

6) Some study participants were concerned that public input was discouraged and not taken seriously. This is juxtaposed against the discussion of "authentic participation" as described by King et al. (1998:3) where participants feel their input is "important and actually being considered by decision-makers."

7) There was minimal, if any, public outreach during the decision-making process. This works against Gleick et al.'s (2002) recommendation to conduct public outreach prior to signing any partnership contracts.

8) Politics were a concern of some participants. Privatization opponents, however, argue that politics can be beneficial because it forces the inclusion of issues other than purely economic ones (Greene 2002).

9) Indianapolis history and a desire for local control were the two most often-cited reasons given for why the City decided to buy the IWC and manage the utility through a public-private partnership. I suggest that the strong history of partnerships in Indianapolis may have contributed to minimal public involvement because City decision-makers were already familiar with how partnerships work. Had the partnership been a new policy alternative, perhaps the public would have been involved more in the decisions. Local control through ownership, on the other hand, was characterized in different ways by study participants. While almost all the participants believed the new local control was a...
positive development, some felt this control was appropriately situated with the Department of Waterworks while others felt the control should be located in the public trust with the Department of Public Utilities.

Thus, as far as how water privatization and public participation intersected during the decision-making process, Indianapolis seems to have fallen into many of the traps that are cited in privatization and public participation literature and the few works that analyze the two topics together. Overall, there was very little public participation in the decision-making process. Furthermore, the one public hearing occurred near the end of the process, placing the public in a reactive position. Rather than being allowed to provide legitimate input and possibly influence the course of action, the public was only informed. A perceived lack of transparency serves as a common thread throughout much of the discussion about the decision-making process. Furthermore, it is a lack of transparency on the part of the City-County government, not Veolia. This distinction is important to remember in the next chapter when discussion of public participation turns in part to the role of Veolia, the private partner.

In this situation, the avenues for public participation did not end when the decisions were made. Rather, they have continued in both similar and differing ways during the first two and a half years of the partnership (from May 2002 through August 2004, when the interviews occurred). It is during these subsequent years that a different kind of understanding can be gained about how public participation is intersecting with water privatization in an ongoing partnership. Thus, the study participants’ perspectives
on the working partnership and ongoing avenues for public input are the subject of the second chapter of findings.
CHAPTER FIVE
THE FIRST TWO AND A HALF YEARS: VIEWS ON THE PARTNERSHIP AND PUBLIC PARTICIPATION

At the time I conducted the interviews, two and a half years had passed since the Indianapolis Department of Waterworks signed a 20-year contract giving Veolia the reigns to operate and manage the Indianapolis Water Company. While the IWC is now publicly-owned for the first time in its 120-year history, its operation and management remains with a private corporation (henceforth, I combine the functions of “operation” and “management” into simply “management,” although they are different functions). This marriage of public ownership and private management is not new in and of itself. As described in Chapter Two, the privatization of public services has a long history in the U.S., including in the case of water utilities. The recent introduction of 20-year contracts and TNCs into the U.S. water industry, however, has created new dynamics with regards to privatization. Furthermore, these developments have led to water supply partnerships in larger U.S. cities than typically existed in the past (the IWC serves over a million people, placing it in the largest class of water utility).

From the perspectives of key players in the IWC partnership, then, what has been going well during these first two and a half years? What have been the main challenges and concerns? And how has the public fit into this new situation? The participants’ answers to these questions are the focus of this chapter.

The participants’ perspectives on the benefits and challenges of the partnership are presented first, followed by their views on public involvement and the advisory groups. Study participants often mentioned public participation in their discussion of
benefits and challenges, however. Since public participation is the focus of this study, though, I chose to treat this topic separately. In addition, some of the benefits and challenges do not at face value seem to have much relevance to public participation and the larger questions of this study. Water quality and quantity is one example of this. I chose to include these topics because they represent issues that citizens are concerned about, and that could be addressed through improved public participation strategies. For instance, some of the concerns raised by study participants about water quality may actually be misperceptions. It would be valuable for the partnership to more thoroughly address these misperceptions and promote increased understanding among concerned citizens about what is actually occurring.

Benefits of the Partnership

It is often easy to focus on the challenges of new situations. All new situations have them and the IWC partnership is no different. It is just as important to understand, however, what is going well so that these successes can be capitalized and expanded upon. Thus, one of the questions I asked study participants was what they viewed as being the primary benefits of the new water partnership in Indianapolis. Three participants explicitly said that they could not think of any benefits. Three participants did not respond to the question for one reason or another. That leaves eleven participants that commented on this question (three of these eleven could only think of one benefit, the new public ownership that was discussed in Chapter Four). A variety of categories emerged from the responses, including, in decreasing order of frequency: 1) public
ownership, 2) water quality/quantity issues, 3) customer service and rates, 4) financial issues, 5) working together, 6) employee issues, and 7) accountability.

Public ownership

Similar to the discussion of local control through ownership in Chapter Four, eight participants mentioned public ownership as an ongoing benefit of the partnership. Beulah Coughenour, former City-County Councilor and current Board of Waterworks member, expressed this advantage by saying, “We own the water and that’s important to me...I think it is for all the people.” Tim Maloney, Executive Director of the Hoosier Environmental Council, also said, “[At] least here in Indianapolis, while the management is private, the ownership is still public...and that we fully supported...[that] has got to be the way.” Even some of the current and former IWC employees expressed satisfaction with public ownership. IWC employee Tom Plummer commented, “I still think it was a good move to go...public. I think every community should own their own.” Thus, almost half of the participants believed that public ownership remains a positive development for the IWC. This seems natural given the strong history of water as a public resource in the United States.

Water quality and quantity

Water quality or water quantity issues were mentioned by four participants as an additional benefit. Indianapolis water has historically had taste and odor problems, in part due to the ecology of the water source. The majority of the water supply consists of surface reservoirs, making bacteria and other biological inputs prevalent. Dick Van

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Frank, a member of the Technical Advisory Group and retired chemist for Eli Lilly, felt that these taste and odor issues were being addressed more successfully under the partnership as compared to under private ownership.

In addition, in terms of overall water quality and quantity, Carlton Curry, the City employee overseeing the contract, said, "The water quality is higher than it was. We [also] have less water being lost into the system. We have a main break reduction program." Thus, VanFrank and Curry believed that water quality has improved under the partnership, and Curry also felt that the partnership has improved water quantity issues.

**Customer service and water rates**

There were a host of customer service, billing, and rate issues on the table when the City bought the IWC and handed over management to Veolia. For instance, the partnership inherited a challenging billing system from NiSource. In addition, the City secured a five-year rate freeze for the customers of the IWC through the management contract itself. Four participants felt that these various customer service issues have been a benefit.

Jerry Webb of the Indiana Utility Regulatory Commission (IURC) commented, "The primary benefit I can see currently has been the rate freeze...the customers won't get a rate increase for five years, which should be up in '07."

Carlton Curry and Beulah Coughenour also mentioned improved customer service standards with the new incentive-based contract. Lastly, Clarke Kahlo, Program Director of the group Protect Our Rivers Now, commented on the increased control for rate-setting under the partnership. With the privately-owned IWC, the IURC was responsible for
approving any rate increases. Now, responsibility falls on the Board of Waterworks since
the IURC only has an informal relationship with the partnership. Up to this point, this has
not been an issue with the five-year rate freeze. Starting in 2007, however, rates will be
an issue for the partnership.

All of these customer-service related benefits seem to be connected to the increase
in local control that came with the sale of the IWC, and the details that the City put into
the contract itself. It is impossible to say what the situation would be if NiSource had
remained the owner, if the IWC was managed by the City, or if it had been sold to
another private corporation. Perhaps similar improvements would have occurred or
perhaps not. For approximately a quarter of the study participants, however, there have
been customer-service related benefits to the partnership.

A summary of benefits

Ongoing public ownership, improved water quality, and superior customer service
were the three most often-cited benefits of the partnership. It is interesting to note that the
participants who had the most to say about benefits were also those who worked for the
City or Veolia. Beulah Coughenour cited nine categories of benefits, Carlton Curry
referred to five benefits, and Jean-Michel Seillier also mentioned five benefits. Other
participants mentioned between zero and three benefits. This could be due to a few
factors. First, these three people probably know the inner-workings of the contract better
than others. It is Curry and Seillier’s job to oversee the contract for the City and Veolia,
respectively, and Coughenour just finished a one-year term as Chair of the Board of
Waterworks in December 2004. Perhaps this knowledge enabled them to see positive
sides to the partnership that others are simply not aware of. Another perspective is that these three people were interested in presenting the partnership in a positive light to me. While it is difficult to establish their motivations, or the accuracy of the benefits mentioned, it is clear that the participants overall did not have a great deal to say about the benefits of the partnership. Especially in light of the large number of concerns they mentioned (covered in the following sections), the benefits were relatively sparse.

**Concerns about the Partnership**

As was the case with concerns about the decision-making process, the study participants had a great deal to say regarding their concerns about how the partnership operated during its first two and a half years. A large set of categories emerged from their responses. The most frequently-mentioned categories (with the exception of public involvement which is addressed in a separate section) included: 1) water quality and quantity issues, 2) financial issues, 3) employees, 4) accountability, and 5) contract details. Additionally, it is important to keep in mind that these could be the types of issues raised by concerned citizens in Indianapolis at a public forum such as the advisory group meetings.

**Water quality and quantity**

Issues of water quality, water quantity, and water safety were mentioned by eleven of the seventeen participants. For example, Jack Miller, Board Member for the Hoosier Environmental Council and journalist, and one of five study participants that commented on water quality, said:
[They’re] cutting back on [water quality] testing...Instead of doing some of this sophisticated testing over there now electronically, they’re doing litmus tests, blister packs of litmus, [and] that’s pretty subjective. [Someone might say], ‘Well, I don’t know, what do you think? Green, blue?’ And then you write it down and toss the litmus paper away and then you’ve got, ‘Well, it looked blue to me.’ That’s not a valid objective test.

Since Veolia is required under the Safe Drinking Water Act to conduct and report adequate water quality testing, this might be an issue that needs to be more fully explained to concerned citizens to allay fears about inadequate or reduced testing.

As far as water quantity, citizen activist Clarke Kahlo was concerned about progress on a “surface water management plan for quantity,” but was also hopeful that Veolia would start working on this issue soon. City-County Councilor Jim Bradford, on the other hand, presented a different view by saying, “[Veolia] has no incentive to create more volume in the water supply...if they create more volume, the City gets more money, but there’s no incentive for them because they don’t get anything out of it.” This speaks to the reality that, like many U.S. cities, Indianapolis and the surrounding area is growing. If the customer base increases without a parallel increase in water supply, there could be problems with the quantity of water available. This seems to be an issue that the partnership will have to work on together.

Lastly, seven participants brought up issues of water safety, with five of them concerned that recent cuts in IWC employees has compromised the “backup” power of the workforce in times of emergency (thus possibly compromising the safety of the water supply). For example, Alan Kimbell said:

They have bought out or retired huge swaths of middle management in that company. So there’s no redundancy of personnel...When...our canal breached ten or fifteen years ago, they were able to mobilize quickly and get the system back on line. If it happened today, the system would go
down, there would be enormous fire hazard risk, [and] it would take I
don’t know how long to get it back in shape and all the water would be
undrinkable that they managed to get out.

Thus, these participants are concerned that the reduction in the workforce is
compromising the “layers” of employees that existed before. All of the treatment plants
in a water supply system have to be operated twenty-four hours a day, seven days a week.
There is no time when they are closed. Thus, in a time of emergency, if a great deal of
people-power is needed, there has to be “redundancy in personnel,” as Kimbell put it, or a
set of people that all know how to do the same thing. That way, some of those people can
continue to run the day-to-day operation of the utility while others can tend to the
emergency at hand.

Financial issues

Financial concerns were mentioned by eleven participants. These concerns
emerged as relating to the City’s finances, Veolia’s finances, and the potential for the
profit motive to interfere with providing safe water.

Five participants mentioned a concern about Veolia’s finances. Jean-Michel
Seillier, the Veolia employee overseeing the contract, raised the issue from Veolia’s
perspective by describing the challenges in reconciling how much money Veolia believes
is needed for capital expenditures and the amount the City has available.
On the other hand, a couple of participants were concerned that Veolia has been
“skimping” on paying for maintenance and fixing infrastructure problems. Both of these
concerns, although characterized differently, identify a challenge in the partnership. The
City provides the money for capital expenditures but Veolia is responsible for
implementing and overseeing the capital projects in conjunction with the Board of Waterworks. How this aspect of the partnership is worked out will be an ongoing process.

Concerns about the City’s finances were varied. For instance, one concern referred to the amount of money the City has spent defending itself in the various lawsuits it has faced with respect to the employees and the Unigov statutes, while another related to potentially high bond payments resulting from the purchase price for the IWC.

Finally, three participants were worried about the potential for Veolia’s profit motive to interfere with the mission of providing safe water. Tim Maloney commented, “Their first and principal mission is [and] should be providing a safe and dependable water supply to the community and...do the profit interests of a private company interfere with that?” In addition, TAG member Glenn Pratt said, “We do have ...real concerns...[that] if you’re strictly a nuts and bolts [corporation] maximizing profit, you’re going to be cutting corners.” Maloney and Pratt both feel, then, that the need for Veolia to make a profit may interfere with the safety of the water supply, because they might have to “cut corners” to make any money. As described in Chapter Four, however, Jean-Michel Seillier did point out that Veolia is not currently making a profit, and does not expect to until 2009 or 2010. With that said, there is still the potential for them to be cutting corners today to minimize the amount of money they are losing. This is difficult to discern with either supporting or contradicting evidence; however, this potential for the profit motive to interfere with the partnership is an interesting assertion given the history of the IWC as a private corporation. Although the participants’ did not specifically express this, perhaps there is a difference in their perceptions of the former IWC and Veolia because of Veolia’s status as a TNC. Joe Broyles, former President of the IWC,
commented that, “Their kids don’t drink the water,” referring to the Veolia executives that oversee Veolia’s operations in Indianapolis from afar. This perception of how much the new management of the IWC cares about its operations also arose in the participants’ concerns about the employees, along with other categories.

**Employees**

Concerns about the employees of the IWC under the partnership were prevalent, with ten of the seventeen participants commenting on this issue. These concerns can be further divided into the following sub-categories: 1) loss of benefits and pay, 2) union issues, 3) loss of employees and, 4) psychological issues. Also, I devote considerable attention to this concern because it is one that is inadequately addressed in the literature and has been especially high-profile in Indianapolis.

**Loss of benefits and pay.** Nine participants expressed that they were concerned about the loss of employee benefits and/or pay under the partnership. Tom Plummer, the IWC employee who filed the class-action lawsuit about the benefit losses, commented:

> I was penalized approximately $100,000 in my pension...because of my age and I will fail now to have a health care plan when I retire. So it was a huge hit. A big hit...We [those involved in the lawsuit] did hire a benefit accountant, a group to come in and study our benefit losses and [they said] we had lost $50 million in benefits just between the non-union employees over the 20-year contract. So it was substantial. But the City to this day will tell you that we didn’t lose anything.

Plummer also felt that the Mayor’s letter to the employees prior to the partnership was instrumental in creating the backlash that has occurred regarding benefit losses (see Appendix D for the text of the letter). He acknowledged that changes are to be expected
with a new employer, yet the Mayor’s letter gave false promises to the employees.

Plummer expressed, “[The Mayor] lied when he wrote that darn letter… I still remember him getting up to the podium at [a] news conference talking about taking care of the employees and it was just all a ruse.”

Similarly, Alan Kimbell, former IWC employee and former Board of Waterworks member, remarked:

Despite the Mayor’s promise, they significantly reduced the value of the benefits, most notably in the defined benefit pension which the non-union people all have watched. The union people stood firm and kept it in their contract but that may [change]… I think the employee situation is going from bad to worse and I’ve got severe reservations about how they’ll be able to make it work.

Finally, former IWC President Joe Broyles said:

The Mayor wrote a letter and in very plain English it says you won’t lose your jobs, your benefits. Your pensions and such are secure. They then disappeared… and for the non-union people, their pensions disappeared immediately. Now, for the long-term employees, federal pension laws say that you can’t take the money that was in the pension fund and keep it, but you can stop adding to it.

Thus, Plummer, Kimbell, and Broyles all felt that benefits have been reduced under the partnership and that the Mayor’s letter in 2001 contributed significantly to the passionate feelings they expressed. As Broyles indicated, so far the main losses have been to the non-union employees, which primarily include management positions such as Plummer’s. In addition, six participants noted that they felt it was a mistake for Veolia to start cutting benefits right away. Had they waited six months, as one participant suggested, the backlash could have been significantly reduced.
Overall, literature on water privatization does not address how these partnerships impact employees of the water utility. The one exception is the National Research Council (2002:7) that suggests that workforce issues need to be seriously considered, “both as a possible source of cost savings and a focal point for public concern.” In this case, issues of transparency and honesty exist in terms of what was promised to the employees during the decision-making process and what the outcome has been during the first two and a half years of the partnership. To be fair, the partnership and the employees have arrived at different figures on how the benefits have changed under the partnership. The City maintains they have gotten better while the employees claim they have worsened. The ruling in the employees’ lawsuit was in favor of the City but primarily because the Mayor’s letter was not legally binding. The judge, however, did acknowledge that the Mayor’s letter was dishonest in its claims. Thus, while the employees may not be able to change their situation, or receive compensation for their perceived lost benefits, there does seem to be a serious breach of trust that occurred. Furthermore, the lawsuit received considerable media attention, thus possibly impacting the public’s continuing perceptions of the partnership.

The employees that were interviewed also acknowledged that if the IWC had been managed by the City before, rather than by a private owner, the benefits and pay that Veolia offers would probably have been comparable or more than previously. Union Business Manager Chris Burton remarked:

You look at any municipality; they don’t pay the employees that great. They don’t have that great of benefits...Well, [if Veolia] would go in there and take those employees over, they would give them...a raise...The benefits that [Veolia]...offered [would be] better than what they had. So those people are happy. Because they did get something. Well, they came in here. They wanted us to fall under their [benefits and pay] which was a
cut for us. And they couldn’t figure out why people were unhappy. Honestly...[They might say], ‘Well, where we’ve gone into these other places and taken over, those employees were all happy.’ [And our response would be], ‘Well, yeah, they were happy because you did raise their standard of living...Here you’re taking away.’ [And] maybe we were driving the road in a Cadillac but when [they’re] wanting to put us in a Yugo...people are going to get upset! When you take someone from a Yugo and move them up to a Malibu, they’re happy.

The circumstance Burton described is common to most public-private partnerships.

Public employees become private employees. In this case, however, private sector employees were simply transferred to a different private corporation. The fact that Indianapolis is unique in this instance, however, does not negate or invalidate the employees’ concerns. Rather, this circumstance underscores the reality that each public-private partnership is unique, and each City must fairly and honestly evaluate how a change in management will impact the utility’s employees. If the employees’ pay and benefits are improved under the new private management, there will not be many concerns. On the other hand, if they are reduced, there will likely be significant backlash, as there has been in this instance.

Union relations. Concerns about union relations revolved around the number of labor grievances filed with the National Labor Board since the partnership began and the union contract. City-County Councilor Jim Bradford, one of four participants to remark on this topic, said, “I think they had one grievance [per year]...with NiSource. They had...fifteen, sixteen, all in favor of the union [after Veolia took over].” Bob Reed, the President of the largest union at the IWC, also commented, “We had seventeen labor charges we filed within the first six months [after] they came in the door.” Tom Plummer
described what the grievances were about, by saying, "Cutting pay. Cutting benefits...[to a specific employee or to] specific classifications. Violations of the [union] contract."

A shrinking workforce. Two of the nine participants concerned about a shrinking workforce were simply concerned about a reduction in the number of employees (the contract did institute a two-year moratorium on layoffs that ended in April 2004; however, the workforce was reduced through retirement and attrition during that time). Seven of the participants, however, indicated that the reduction in the workforce has created a loss of "institutional memory." Lawyer John Price remarked, "In order to operate a utility, you have to have a stable, well-trained, knowledgeable, skilled, employee base...[And] what they [have] succeeded in doing, and what they are still succeeding in doing, is driving off from the company the people that know how to run it."

Chris Burton concurred by saying:

Since Veolia took over, we've lost...people...[with] a thousand years of knowledge. And they've been replaced with people that have less than a hundred years of knowledge...I mean, a water company is a water company is a water company is not a water company...You can have two water companies. Yeah, they're both water companies. They make water. They pump it through pipes to the customers. But they don't operate the same.

Burton's assertion that different water companies "don't operate the same" perhaps relates to the various ecological realities that utilities face. In Indianapolis, the majority of drinking water is held in a series of reservoirs and canals. Compared to a utility who taps underground aquifers for its water, the infrastructure and technology needed to run the utility is going to be considerably different, along with the technical knowledge and skills
of the employees. Jack Miller, journalist and Director of the Indiana Alliance for Democracy, continued in this vein by saying:

[They’re] losing their institutional memory over there...the institutional memory goes back 130 years over there. And they’re downsizing that institutional memory, getting rid of it and trying to bring in these people from Texas and California and Paris to run an Indianapolis utility which they don’t know anything about, except what they learn from the people that they’re downsizing.

There is a concern, then, that by reducing the size of the workforce and bringing in employees from outside the locality, critical knowledge and expertise is lost. How TNCs deal with this issue will be critical for other cities considering this management option to consider in the future.

Psychological issues. Finally, six participants expressed concerns about various psychological issues pertaining to the IWC employees. The most often-cited concern was a loss of morale since the partnership’s inception. Union President Bob Reed described the IWC employees’ pride in their work and the IWC when it was locally owned, and a subsequent decrease in morale during the first two and a half years of the partnership. Similarly, Alan Kimbell’s number one concern about the ongoing partnership was, “Continued degradation of employees, both in numbers and in terms of morale of those who are left.” In addition, Reed commented on how cuts in the workforce have impacted morale:

[The employees] see what’s happening on the surface right now of them cutting jobs...and they’re saying, ‘Well, why the hell should I care right now? Why should I give 100%?’ Because the loyalty of the days when the company was loyal to the employees and the employees [were] loyal to the company are not here with this company.
There are indications, then, that many employees are not satisfied with their new employer and are not as dedicated to their jobs as a result. Such job dissatisfaction seems especially important in the case of a water utility where employee retention (and the resultant growth of institutional memory) is essential in the event of an emergency. While Reed did not indicate that employees were performing at their jobs any differently, a lack of morale could lead to more resignations and less willingness to put in extra hours or effort.

Another concern expressed was Veolia’s attitude about “improving” the IWC when they took over management. According to union Business Manager Chris Burton:

[Veolia] came in here, saying, ‘We’re going to turn this into a world-class company.’ Well, you know what, we already were a world-class company!...It was like, ‘We big city guys are gonna show these country folk how to do things! We’re gonna bring them out of the stone age into the modern era!’

Union President Bob Reed continued by saying:

Through the American Water Works Association, we [were] an icon because we were so efficiently run with the manpower we had...we were a triple-A company, and [the rhetoric about making us a world-class company]...a lot of people took that hard. Because I mean, we’ve worked [hard] and then they come in like they’re going to run a better operation. And to me, it’s the flip-side.

Indeed, increased expertise and access to experts was one of the benefits of the partnership cited by Jean-Michel Seillier of Veolia. There must be a balance struck, however, between explicitly acknowledging the expertise and knowledge of the current employees and the additional knowledge the private partner can bring to the table. Especially in a circumstance such as this, where the utility was not faltering or performing poorly when the partnership began, it might be prudent of the private partner
to invest their efforts in validating the current employees and their contributions to the company. Clearly, there are consequences of decreased morale if they do not, as in this case.

Accountability

In any public-private partnership, the contract has to explicitly outline which partner is responsible for what. If certain definitions or details are not specific enough, however, there can be disagreements among the partners about responsibility. This can then lead to questions of accountability, which was mentioned by eight participants as an ongoing concern about the partnership.

Jerry Webb, Director of the Gas/Water/Sewer Division at the Indiana Utility Regulatory Commission (IURC), described the relationship between the IURC and the partnership as follows:

We tried...three or four meetings before we really got the sense of how to bring [the partners] in because from [the IURC’s] perspective [what] we got initially was, USFilter would say, ‘Oh, it’s the City.’ And the City would say, ‘No, it’s USFilter.’ Well, someone, I don’t care who it is, has got to take care of the customers. So we’ve been working on it ever since...

Jack Miller also commented in this vein by discussing the ongoing public liability for the water supply even though it is privately managed. He said:

The liability is still a public liability. It’s something the public should expect to be run right. And if something goes wrong, they’re going to blame the City. And then you get that he said, she said. [The City might say], ‘Well, we told USFilter [now Veolia] they were supposed to handle that.’ And USFilter can say, ‘Yeah, but the City said they were going to take care of that part of it.’...Accountability. That’s what I see lost in this...And what I really want to see is this under the public trust. That way
it would be transparent, it would be accountable. If somebody screwed up, we’d know who it was. We’d know who to blame. That’s what’s lost here.

There was also the concern that if something did go wrong with the IWC, the City could simply fire Veolia, thus absolving the City of any responsibility.

The concerns about accountability in the partnership echo Greene’s (2002) description of “sector-blurring,” a common caution among privatization opponents. In short, when public and private responsibilities are mixed, which party is accountable in certain situations can “blur.” Concerned citizens may be frustrated if they do not know who to approach with questions. It can also be a concern for regulatory agencies if neither partner wants to accept responsibility for an issue and it is not explicitly outlined in the privatization contract. The contract itself is a primary vehicle for minimizing these confusions. For example, Gleick et al. (2002) emphasize that a detailed contract can ensure better accountability between the partners. Furthermore, adequate public education about the responsibilities of each partner could minimize confusion about who is accountable for specific issues.

Contract details

Eight participants voiced concerns about specific details of the partnership contract and sub-contracting, with four people concerned about cronyism in sub-contracting. For instance, one participant commented:

There’s just a lot of speculation and there’s a lot of evidence of cronyism…and political back-scratching that has come as a result of having this management structure, in terms of the contractors that have been selected for…various parts of the purchase and management of the company.
While Veolia is responsible for operating and managing the IWC, they can sub-contract various functions and operations. In fact, one of the incentives in the contract requires them to target a specific percentage of minority and women-owned businesses for this sub-contracting. The possibility of sub-contracts being given to members of the Board of Waterworks or others involved with the partnership was a concern of nearly a quarter of the participants, however. In this vein, Greene (2002) describes corruption as a problem cited by privatization opponents. As with many of the other concerns, this concern could be alleviated by more explanation by the Board of Waterworks and City officials about the reasons for various sub-contracts, especially if these concerns are publicly voiced by interested citizens.

An additional concern was the existing contract oversight. Carlton Curry is the one City employee responsible for overseeing the contract, although one participant suggested that he has support staff to help him. Gleick et al. (2002) identified effective contract oversight as one of their "Principles and Standards" for successful water privatization but did not describe any details on this issue. Certainly the size of the utility and the scope of the operations would impact the necessary amount of oversight needed for the contract. While Curry did not mention any troubles from his end, the IWC does serve over a million people, and the partnership has twenty-one inter-governmental agreements with other counties and cities. In addition, they manage four smaller water companies nearby. Whether one City employee is sufficient oversight for this partnership is difficult to gauge, but it was a concern expressed by study participants.

The Board of Waterworks also has oversight responsibility but board members do not have full-time positions. Their operating procedures were a concern to a couple of
participants, mainly revolving around the focus of their monthly meetings. One participant described his concerns about the Board of Waterworks as follows:

As the owner of the utility, and as the operator of the Department of Waterworks, [the Board] can have an enormous influence on what happens at the water company...It's their responsibility...[Yet] they choose not to do so. They choose to say [to Veolia], 'Come in and give us your little report. Thank you! Be blessed! See you next month!' And that's it. They just choose not to be involved. That's not the way to run a public-private partnership. That's not a partnership. That would be like a marriage...where one of the partners just says once a month, 'How's it going?'

Another participant described how the Board of Waterworks meetings only consist of reports from Veolia staff and approval of budgets and expenses. These concerns revolve, then, around the perceived focus of the Board on almost exclusively financial issues.

Lastly, two participants questioned the value of the incentive-based contract IURC employee Jerry Webb expressed, "[The IURC] has got continuing concerns whether the incentives will [force] them to do a good job or are they perverse incentives that will just make USFilter a lot of money and the citizens don’t really come out that much better?" Another participant was concerned about the potential for Veolia to “cut corners” and manipulate figures so that they achieve their incentives.

The contract for this partnership is long at 92 pages and filled with technical language. It is not an easy read (I have only read pieces of it). Yet, it is also an incredibly important document that drives many of the decisions made about the partnership. There must be a balance, however, between letting the contract run the partnership and having actual people run the partnership. Especially given many of the suspicions voiced by the participants about cronyism and “cutting corners” to achieve the incentives, there must be sufficient human oversight and interaction to adequately address the concerns of citizens...
and other interested parties. This is addressed further in the section on “Public Involvement” and the participants’ concerns about the operation of the Board of Waterworks.

Summary of concerns

Excluding public participation, which is addressed in the next section, there were a host of concerns about the ongoing partnership that emerged from the interviews. These included: 1) water quality, quantity, and safety, 2) financial issues, 3) loss of employees and decreased morale, 4) accountability between the partners, and 5) contract oversight and the potential for cutting corners to achieve the incentives. Some of these concerns are addressed in literature on water privatization, such as the importance of contract oversight and accountability between the partners. Others, however, such as the impact of these partnerships on employees, are not adequately addressed in the literature. This suggests an area for future research, and a facet of public-private partnerships that U.S. cities in general may need to more thoroughly consider in the future. Finally, the concerns raised by the study participants are important to keep in mind during the following discussion of ongoing public participation. How can citizens communicate their concerns about accountability or employees, for instance, to decision-makers? Do study participants believe the current avenues for public participation allow sufficient opportunity for public input? These are a few of the questions answered in the next section.
Public Participation Today

The last category of findings deals with the participants’ perspectives on public participation during the first two and a half years of the partnership. The first section describes how the public can be involved today, along with positive and negative aspects of this involvement. The next section is a more detailed examination of the advisory groups, including how they were formed, their function and operation, what is going well, and concerns. The advisory groups are examined in a separate section because this is largely where new dynamics and developments are occurring with respect to how public participation and water privatization are intersecting in Indianapolis.

How the public is involved

Study participants identified four avenues for public participation available since the inception of the partnership. These include: 1) public comment at public meetings, including meetings of the City-County Council, committees of the City-County Council, the Board of Waterworks, and the Citizens and Technical Advisory Groups, 2) writing letters and email messages, along with making phone calls, to City-County Councilors, City employees such as Carlton Curry, and members of the Board of Waterworks, 3) membership on the Citizens and Technical Advisory Groups, and 4) participation in non-governmental organizations such as the Citizens Water Coalition (a consortium of two unions, the Marion County Alliance of Neighborhood Associations, United Senior Action, Citizens Action Coalition, Hoosier Environmental Council, the Sierra Club, and individuals, according to one of the study participants). Webler and Renn (1995) reference other avenues for public participation that have occurred in Indianapolis, such
as voting, litigation, and involvement in political parties, along with the first three avenues identified above. Participation in citizen groups such as the Citizens Water Coalition, however, is not necessarily considered public participation in that there is no direct involvement in public government and its processes.

Positive aspects

Eight participants commented on positive aspects of public involvement throughout the first two and a half years of the partnership (excluding the advisory groups which are addressed in the next section). The most often-cited positive aspect was Veolia’s attitude of encouraging public input into the partnership. For instance, Clarke Kahlo, a citizen activist, described a meeting he had with Tim Hewitt, President of Veolia’s Indianapolis operations, saying:

I wrote a letter to the editor about losing our floodplains...to development. We’re squeezing the river down and it’s having very adverse consequences on our river system and [Tim Hewitt] called me up and invited me to lunch...He thought that maybe there were some things, some synergies and so forth that the company could assist with, in terms of rezoning things in the future, and so...we’ll see what happens.

In addition, Tim Maloney, Executive Director of the Hoosier Environmental Council, commented, “Veolia and its managers are taking citizen input more seriously and I have heard lately that they’ve been more receptive to citizen input... I’ve [also] heard from some of the other critics that this Citizen’s Advisory Committee, or at least that process, has been more receptive and open lately.” Finally, TAG member Glenn Pratt believed that Veolia and City managers have been helpful in improving public participation, but Veolia more so. He said, “The people who privatized the water company [are] much
more open [to public participation].” Other positive aspects included the creation of the Advisory Groups, the increased access to public documents and information with public ownership, and appreciation for the few City-County Councilors who have “gone to bat” for the working-class employees.

These positive aspects are interesting because they focus for the most part on Veolia, not the City, as supporters of public participation. Groups such as Public Citizen (2003b) have defined “public” and “private” utilities in part on their receptivity to public participation, with public utilities being more receptive and private utilities less so. In this case, however, these definitions are not entirely accurate, with the private partner being more receptive to public input than the public partner. As I discuss in the next section, many of the negative aspects of public involvement today revolve around the Board of Waterworks.

Negative aspects

Ten participants commented on negative aspects of public participation in the ongoing partnership (excluding the Advisory groups, which are addressed in a separate section). These negative features emerged as two sub-categories: 1) the response and attitude of the Board of Waterworks to public input, and 2) concerns about the functioning of the Board of Waterworks.

Five participants believed that the Board of Waterworks has actively discouraged public input, even being “hostile” and “disinterested” completely. Tim Maloney remarked, “[There] were times when [public input] was discouraged...by the Board members and the Chairperson saying, “Well, you know, we don’t have time for
that... You're not on the agenda. We don’t have time.”” Jack Miller described a personal experience of trying to offer his input at a Board of Waterworks meeting by saying:

[They] were having public comment that night, but they just wouldn't let me talk... Alan Kimbell was on the Board at that time and he wanted me to say a few words about... some environmental thing because at that time I was the president of HEC. They said, ‘Well, he can talk if he wants to, but we’re leaving.’ The President of the Board said that. That’s the kind of input they like.

According to Maloney and Miller, then, the Board of Waterworks has been unreceptive to public input, even actively discouraging input during their meetings. Beulah Coughenour, President of the Board of Waterworks when the interviews were conducted, offered her perspective on public input by saying:

I bet we’re surprised if more than ten people come... to the Board meetings. And what we do is we have the agenda and they know what it is and then at the end of the agenda it’s public comment... But we do want them to tell us what it is they want to talk about. Because we don’t want people to just get up there and ramble...[and] it’s always the same people... Actually, we haven’t had much public comment.

Coughenour, therefore, was concerned about the focus of public comments and that they do not address relevant agenda items. She was not particularly concerned with the small number of public attendees and did not express any desire to have more public comment. In addition, she was displeased that the “same people” always offered their input. The timing of public comment at the end of Board meetings may be one reason for the comments’ lack of focus or the tendency for people to “ramble” in that citizens have an entire meeting to address and may have multiple concerns.

Citizen activist Clarke Kahlo expressed frustration with the timing of public comment from a different perspective by remarking:
They allowed public input begrudgingly...they wouldn’t allow public comment during the agenda items and still don’t, as far as I know. They relegated, even if it’s a matter that’s being deliberated at the moment, they push the public comments to the very end after the matter has been decided. It’s ridiculous. And so there’s a lot of frustration that the Board was not adequately taking the views of ratepayers and citizens into account.

Kahlo suggested that having public comment at the beginning of the Board meetings would alleviate some of this problem. Since the agenda is available before the meeting, members of the public could comment on agenda items before decisions are made, thus possibly having some impact on the decision-making process. Small changes such as this could contribute to a feeling of more “authentic participation,” as described by King et al. (1998), whereby the public feels its input is being seriously considered by decision-makers. On a smaller scale, this is also an issue of the timing of public participation. In each Board meeting, the public is put in a “reactive” position where they can only comment after decisions have been made.

Additional negative aspects of public input at the Board of Waterworks meetings included that for three months there was no public comment at all allowed at the Board meetings. This was eventually overturned after citizens complained to the Mayor. There was also a period of time when members of the Board were forbidden to talk with members of the press or public without permission of the President of the Board.

For obvious reasons, unlike the participants’ concerns about the decision-making process surrounding the formation of the partnership, the City-County Council was not mentioned at all in the discussion of public involvement in the ongoing partnership, except as one of a list of available avenues for public participation. This is likely because the Council has very little decision-making power except for a small amount of influence.
on appointments to the Board of Waterworks. Councilors can still try to talk to Board
members and pass along concerns of their constituents. There is no guarantee, however,
that these messages will be taken seriously or considered. The Mayor himself was also
never mentioned. After the partnership began, the Board of Waterworks became the
public body responsible for the IWC, thus forcing the City-County Council and the
Mayor to take a backseat as far as daily decisions and influence.

The advisory groups

Three advisory groups were created by the partnership when the City of
Indianapolis and Veolia entered into their public-private partnership. These include: 1) the Citizens Advisory Group (CAG), 2) the Technical Advisory Group (TAG), and 3) the Service Advisory Board. Study participants knew little about the Service Advisory Board. Its general function is to advise the partnership about the twenty-one intergovernmental agreements with neighboring counties and cities that are served by the IWC. These agreements were necessary because the service area of the IWC extends beyond Marion County. The Citizens and Technical Advisory Groups, therefore, are the focus of this section of findings. First, I describe how and why they were formed, their general function, and their operation. Then, I discuss the participants’ perspectives on what is going well with the CAG and TAG, and their concerns.

Formation, function, and operation. The CAG and TAG are a requirement of the partnership contract, and are modeled after a similar CAG and TAG that advise a public-private partnership for the Indianapolis sewer system (the private partner is United Water,
now owned by TNC Suez/Ondeo). According to Glenn Pratt, a member of the water and sewer TAGs, the creation of the advisory groups for the IWC partnership were influenced by his input and the collaboration of John Mutz, the first Chair of the Board of Waterworks, and Beulah Coughenour. Since the advisory groups for the sewer system have been beneficial, it apparently seemed appropriate to also include them with the IWC partnership.

According to Exhibit Twelve of the contract (a table listing the incentive criteria), the Department of Waterworks chose the TAG and CAG members, although any details beyond this are unclear. While study participants disagreed on this fact, with some believing it was Veolia who chose the members, there was agreement that members were chosen rather than being elected or submitting applications for appointment. It is uncertain how the initial list of members was generated. Nevertheless, citizens and technical experts were invited to be on the advisory groups and they serve various-length terms. There are twelve CAG members and thirteen TAG members (see Appendix E for a listing of the CAG and TAG membership). The TAG meets once a month and the CAG every other month at Veolia’s main offices. Meetings are open to the public. According to the Department of Waterworks (DOW 2005a) website, the CAG’s function is to:

\begin{quote}
Provide more customer and community perspective and input into the water utility management and decision-making process. The CAG will provide frequent communication and feedback on issues relating to the service provided by Veolia Water to customers of the Indianapolis Water Waterworks District.
\end{quote}

The purpose of the TAG, on the other hand, is to “provide a regular monthly forum for discussion of key programs and activities related to water quality, source water protection, water management, and environmental stewardship” (DOW 2005b).
Both advisory groups, therefore, advise Veolia, not the Board of Waterworks. In addition, the CAG is responsible for completing a yearly evaluation of Veolia’s performance. This evaluation must be 85 percent satisfactory for Veolia to receive one percent of its total incentives payment (25 percent of the money the City pays Veolia each year is based on incentives; the CAG evaluation is weighted as one percent out of one hundred percent, with one hundred percent equaling the maximum amount of incentive money). The required CAG satisfaction rating will increase to 95 percent in 2006, according to Exhibit Twelve of the contract. While CAGs are not a new concept, directly tying their evaluation with a monetary value may be a new development. Certainly, this contract stipulation makes it worthwhile for Veolia to invest time and energy into the success of the CAG and its members.

Study participants knew little about how the CAG and TAG meetings are publicized. Three participants argued that they are not publicized at all. One TAG member, however, mentioned that he had seen a meeting advertised at the IWC headquarters with a notice posted on their front doors. I saw this notice as well when I was there. Meeting information is available on the Department of Waterworks website but it takes some work to find it. The meeting schedule on the IWC website is out-of-date. There was no indication of public outreach or education efforts to inform the public about these advisory groups and their open meetings. One participant commented, “I just wish there was some way they could publicize them better. Because I think the general public doesn’t know that they have those three forums [the advisory groups].” Lester McKinney, a member of the CAG since its inception, also remarked:

I’m unsure of how the people are made aware that, if they do have a concern or an issue...they can come in during the CAG meeting and
express themselves. I don’t know how they’re made aware of this. I’ve never seen anything publicized that indicated that you’re welcome to come in and discuss your issue, complaint, or concern, during this time.

While it is positive, then, that these advisory groups exist, not publicizing the meetings in a thorough manner likely limits public involvement and input and raises questions about the CAG’s ability to effectively assess Veolia every year.

According to the study participants, the TAG addresses topics brought to them by the Board of Waterworks and Veolia, along with suggesting areas that need to be addressed. The CAG, on the other hand, has been mostly reactive in its operation, advising Veolia on issues brought to the CAG, rather than generating issues on their own. Six participants felt that the advisory groups (and the public comment period at the Board of Waterworks meetings) did not provide sufficient opportunity for public input into the ongoing partnership, with one participant believing that they did provide sufficient opportunity for public input. The reasons why the participants felt this way is discussed in the following sections on what is going well and concerns about the advisory groups.

**What is going well.** Eight participants commented on what is going well with the advisory groups. In particular, three participants remarked that the TAG had a slow start but is operating well today. Both Glenn Pratt and Dick Van Frank, members of the TAG, expressed this view, and felt that the TAG was beneficial and providing valuable input to Veolia on technical problems and issues. Van Frank also commented that the TAG members feel invested in what the TAG does and have something to contribute given their expertise in a certain area. He also believed that the TAG has “opened up” the
technical operations of the IWC to public scrutiny that were formerly secret due to private ownership.

Only two participants had anything to say about what is going well with the CAG. Lester McKinney referenced the low CAG member turnover, the broad spectrum of CAG members from across the City, and room during the meetings for open dialogue with the public as compared to a strict public comment period. Tim Maloney with the Hoosier Environmental Council also remarked that the CAG has been opening up more to public input in the recent past.

Overall, then, both advisory groups had a slow start but are operating better as of late. Furthermore, since the interviews, the CAG has begun a “restructuring” process. This process was initiated by the CAG members; they were frustrated with their role of only giving advice on issues brought to them by Veolia rather than generating issues and topics themselves. Veolia paid a facilitator to attend a few of the CAG meetings to assist with the restructuring, but it is unknown how this process has progressed.

Concerns. Eleven participants commented on their concerns about the advisory groups. These concerns emerged as four sub-categories: 1) an overall negative view of the advisory groups, 2) membership concerns, 3) logistical concerns, and 4) concerns tinged with a degree of optimism.

Two participants expressed a generally negative view of the advisory groups. This included the views that the CAG was “non-existent,” “just show,” and has no power at all. Concerns about the membership of the advisory groups were voiced by five participants. One concern was that the CAG is not a “real” citizens’ group because it does
not have “real citizens” as members, only “insiders.” One study participant felt that CAG members are “all people that don’t have an open mind.” Another study participant remarked, “[They] appointed…almost no citizens [to the CAG]. You had somebody from Pepsi-Cola, somebody from Conseco Field House, some developers, and there [are] a couple women…from community centers but [they] didn’t really represent the people.” Additionally, one study participant believed that half of the TAG members are “non-technical,” making it difficult to produce sound decisions. The advisory group members are volunteers, and one participant felt this led to a general ineffectiveness of the groups since members often miss meetings due to other commitments.

There were also logistical concerns. This included the timing of meetings during the mid-afternoon, making it difficult for working members of the public to attend; inadequate attendance leading to a lack of quorum; secrecy at the beginning of the partnership about the names of CAG members and when the CAG met; and the lack of monetary reimbursements for expenses such as parking during the meetings. These types of concerns are cited by King et al. (1998) in their discussion of “authentic” participation. Holding meetings at convenient times and providing child care and food are two ways of increasing the “authenticity” of participation in that they increase the likelihood citizens will repeatedly participate. Two participants also commented on a lack of commitment by both Veolia and the City administration to making the advisory groups work. For instance, one participant remarked, “If you’re being squeezed financially, which this company is, [then you] don’t want a lot of new opportunities to hire staff and work on problems.” This study participant believed that the advisory groups may bring up new
issues for Veolia that would cost money to address, thus limiting Veolia’s desire to make the advisory groups successful.

Finally, there were a few concerns tinged with optimism. Lester McKinney expressed his frustrations with the current operations of the CAG, but was also hopeful that by restructuring the group, a more effective CAG could be established. He remarked:

I feel as though...some of the things that have initially gotten started [on the CAG] weren’t really the direction we should have been going...I don’t think that we were living up to what was expected of the CAG...I didn’t feel as though we were there to give or to establish committees and give reports to the water company on what the water company was doing. And that’s exactly what we were doing...We should be giving CAG feedback as per the communities where we [live]...on what the thoughts of the communities [are] as far as quality of water, billing...things that would affect the communities...and how best the water company could serve that particular community.

He continued by suggesting that CAG members could canvas their communities, perhaps even holding informal meetings on their own with interested community members, and then they could convey these issues to the larger group. This would serve to “[share] information with the company about information from the community,” as he put it. McKinney was frustrated but also optimistic that the restructuring of the CAG would alleviate some of these frustrations. Additionally, King et al. (1998) indicate that public outreach that informs citizens on how they can participate, as partly suggested by McKinney, increases the “authenticity” of participation.

There were a variety of concerns, then, about the advisory groups, with most of the concerns focused on the CAG rather than the TAG. A majority of the participants expressed very little knowledge of either group. The overall sense from those that did know something about the groups, however, was that they both started slowly but appeared to be operating better with time. Furthermore, Veolia seemed to be supportive
of their success and desired their input into its operations and management. Spending money on a facilitator to overhaul the CAG is one piece of evidence that supports this claim.

Vari (1995) describes some of the concerns cited above as being common to Citizens' Advisory Committees (another term for a CAG). These include the inability to define their own agenda, as mentioned by CAG member Lester McKinney, and a tendency for little outside public input. While McKinney did believe there was room for public dialogue during the CAG meetings, his idea that CAG members canvas their communities suggests that considerably more public input could occur. Lynn and Kartez (1998) support the idea that CAG's often work in isolation from their communities, as is the case in Indianapolis according to McKinney. They also indicate that the ability of the CAG to conduct outreach into the community will be dependent on the resources provided by Veolia and the partnership.

Conclusion

Study participants' views on the first two and a half years of the partnership were complex. In order to organize the results that emerged, the following list presents the key findings of this chapter:

1) Ongoing public ownership, improved water quality, superior customer service standards, and the rate freeze were the most often-cited benefits of the partnership.

2) A host of perceived concerns emerged from the interviews, including water issues, doubts about the finances of Veolia and the City, false claims about
employee benefits, diminishing employee morale, a lack of accountability between the partners, and inadequate contract oversight. Some of these concerns, such as diminishing morale, suggest distrust in Veolia’s attitude towards its employees and a preference for local ownership and management, either public or private. A lack of transparency and honesty on the part of the City also emerges with regards to false promises about employee benefits.

3) Public comment at public meetings, direct communication through emails and phone calls, and membership on the advisory groups are the three primary avenues for public participation in the partnership.

4) Some study participants believed that Veolia has been more receptive to public input than the City, and especially the Board of Waterworks. This suggests a lack of accuracy with regards to common perceptions of “public” versus “private.”

5) There was strong sentiment that the Board of Waterworks has discouraged public input into its operations. The timing of the public comment period at the end of the meeting was suggested by one participant as a possible source of this frustration.

6) The advisory groups were modeled after similar groups that exist to advise the Indianapolis sewer system partnership. A lack of publicity, however, has led to minimal public involvement in the groups beyond the members themselves.

7) Tying the CAG’s yearly evaluation of Veolia to a percentage of Veolia’s incentive payments may represent a new development in how the public can influence a private corporation’s operations. Veolia also seems responsive to
creating a successful CAG (although defining “success” for the CAG is beyond the scope of this study and a topic in need of further research).

8) One-third of the study participants did not think the various public comment periods (i.e., at the CAG, TAG, and Board of Waterworks meetings) provided sufficient opportunity for public input.

9) Both the TAG and the CAG got off to a slow start but appear to be improving with time. The majority of study participants knew very little, however, about the advisory groups’ operations.

These results suggest that there is potential for the public to have effective forums to offer their input into the partnership, but these avenues have not been adequately developed yet. The CAG, according to one of its members, has expressed a desire to truly serve as liaisons between the communities they represent and Veolia. Since the CAG is mandated by the partnership contract, and is responsible for a percentage of Veolia’s incentive payments, the CAG’s continued development as a forum for public input and influence offers hope for “authentic” public participation in the partnership. The Board of Waterworks, on the other hand, was the focus of continued frustration by study participants. Since the Board is the governing public body for the partnership, improving public participation in this forum would be valuable. Given the broad spectrum of concerns expressed by study participants, there are clearly a host of issues that could be addressed by the Board. This could increase the transparency between the partnership and the public and also alleviate the “skepticism” and “distrust” of the Board expressed in the interviews.
CHAPTER SIX
CONCLUSION: WHAT HAVE WE LEARNED?

This study is an initial effort to research a U.S. city that is currently engaged in a water supply public-private partnership with a TNC, specifically the partnership between Veolia and the City of Indianapolis to operate and manage the Indianapolis Water Company. Furthermore, given the cautions and suggestions in the literature about public participation in these partnerships, I chose to focus on how the public is fitting in to the dynamics of this partnership. Thus, my central research question was: to what extent were public participation processes authentic in the formation of the IWC partnership, and what are the prospects for ongoing authentic participation as the partnership continues? Given the review of relevant literature and theory in Chapter Two, and the research findings presented in Chapters Four and Five, what have we learned to assist in answering this question? What significant themes emerged from the research findings? Which of these themes are supported by the literature and which ones represent new issues that have not been thoroughly considered yet? These questions are the focus of this final chapter. First, I summarize the main ideas presented in the review of literature and theory, followed by a review of the key research findings. Then, I tie the two together and propose possible implications. Finally, I suggest areas for future research and offer some concluding thoughts.
Literature and Theory in Review

The availability of clean, safe water is an issue that affects every living thing. Such an important subject has received scrutiny, study, and research from a myriad of angles and perspectives. All of these approaches contribute to a better understanding of how human society can provide safe, affordable water to everyone, an important endeavor given the millions of people around the globe who currently lack access to this most essential resource. This study is about a very small part of these larger water issues, namely the recent trend of transnational corporations (TNCs) entering the U.S. water market and forming public-private partnerships with U.S. cities to manage their water utilities.

The term “water privatization” encompasses a range of circumstances, including the outright ownership of a water system by a private corporation, as briefly described in Chapter One with respect to Cochabamba, Bolivia, and the public-private partnership described here, a case in which the public owns the utility but a private corporation operates and manages it. Water privatization first gained momentum outside of the U.S. in Third World countries, where governments have implemented water privatization as loan conditions from global institutions such as the World Bank and the IMF. In the last eight years, however, the TNCs that own or operate water systems around the world have entered the U.S. market. While private utilities have existed in the U.S. for a long time, they have tended to be small to medium-sized and locally or regionally owned. It is only recently that cities have formed public-private partnerships with TNCs for their water utilities and signed contracts for up to twenty years. A small literature has emerged evaluating these partnerships and the general trend of water privatization in the U.S.,
including a report by the Pacific Institute for Studies in Development, Environment, and Security (Gleick et al. 2002) and a book by the National Research Council (NRC 2002). Nonetheless, while these evaluations are helpful for providing an overview, they offer only limited evidence from U.S. cities to support their arguments. Thus, one aim of this study was to gather more detailed information about a U.S. city and its water partnership in an effort to further bridge the divide between theory and practice.

One issue previous reports discuss is the involvement of the public in water partnerships. Gleick et al. (2002:42) emphasize the importance of ensuring that negotiations are “open, transparent, and include all affected stakeholders.” Furthermore, they stress that the inclusion of stakeholders is essential for the long-term success of these partnerships. They state that, “Broad participation by affected parties ensures that diverse values and varying viewpoints are articulated and incorporated into the process,” and that without this participation partnerships can be “perceived as corrupt and not in the best interests of the public” (Gleick et al. 2002: 42). Similarly, the NRC (2002:103) advises that, “Strategies for improving water utility performance must be implemented within a local political environment shaped by the values and interests of the community and elected officials.” Thus, the second part of my research focus related to public participation in a U.S. water partnership.

A review of public participation literature revealed a series of key issues in this area. These include the importance of defining the “public” and “participation,” identifying avenues for participation, the timing and “authenticity” of participation (which I used to help frame my central research question), and analysis of specific types of participation such as the public hearing or advisory groups. Privatization literature also
revealed a series of theoretical foundations for both proponents and critics. With a basis in market and public choice theory, privatization proponents focus on the benefits of increased efficiency at the utility, increased competition within the private sector, and the removal of politics from decisions. Critics of privatization, on the other hand, argue from a foundation of market failure theory. They focus on equity, accountability, externalities, utilities as natural monopolies, and a lack of competition given the large capital investments needed to move between industries.

A Discussion of the Key Research Findings

The research findings were presented chronologically, with Chapter Four describing the participants' views on the decision-making process that created the partnership, and Chapter Five focusing on the partnership's first two and a half years. In an effort to synthesize the findings of these two chapters, the following is a consolidated summary and discussion of the key findings.

Positive working relationships were the most often-cited benefit of the decision-making process. Given that the City-County Council and hired consultants emerged as the primary participants in the process, these relationships largely did not include concerned members of the public. There was only one official public hearing about the decisions, along with normal public comment periods at City-County Council meetings, leading to minimal public participation overall. Furthermore, some participants indicated that public input was not taken seriously and even discouraged. This stands in stark contrast to Gleick et al.'s (2002:42) recommendation to “include all affected stakeholders” in contract negotiations, and suggests in this case an absence of efforts to
include any stakeholders beyond those in the City-County government. This led to "unauthentic" participation overall. If broader participation had occurred, perhaps there would not be so much skepticism about the decisions. Study participants also expressed a variety of concerns about the decisions themselves, including that the City paid too much for the utility, the process was "steered" towards selecting Veolia, and the April 30th deadline was not legitimate, among others. These concerns are linked by their general indication that the process was less than transparent, leaving many questions unanswered about the reasons for the decisions. This lack of transparency is not surprising given how little public participation occurred. Finally, Indianapolis’ history and a desire for local control emerged as the two most often-cited reasons for why these decisions were made. The strong history of privatization and public-private partnerships in Indianapolis may provide some clue as to why so little public participation occurred. Had the partnership been a new policy alternative, compared to a familiar one, perhaps decision-makers would have involved the public more in the decisions. This does not excuse the lack of public participation; rather, it provides a possible reason why participation was so minimal. Overall, discussion of the decision-making process centered on both the process itself and the outcome of the decisions. Furthermore, the concerns focused on the lack of transparency in the process and doubts about the legality of the outcome.

Discussion of the first two and a half years of the partnership led to similar and different issues. On the one hand, transparency is still a concern, especially from the perspective of leaders for the employees of the IWC. Although the lengthy and well-publicized legal battle over alleged lost benefits was settled in the City’s favor, doubts about this outcome remain. In addition, indications of diminishing morale among the
workforce are of continuing concern. Decreased morale also suggests possible impacts a TNC can have on a utility when it takes over an established, tight-knit workforce. The IWC has always been locally-situated, largely well-thought of, and without significant operational issues, leading to a sense of pride among its employees. Participants described Veolia's rhetoric when they began the partnership as arrogant and condescending in that Veolia made claims about transforming the IWC into a "world class utility" when employees and others already felt it was "world class." The negative impacts of this type of rhetoric may be important for future partnerships to consider.

The main avenues for participation in the partnership are public comment periods at public meetings and membership on one of the advisory groups. Lack of publicity about these forums, however, has led to minimal knowledge of their existence and little public input into the partnership overall. The Board of Waterworks, in particular, was cited as a particularly frustrating forum because public comment has been actively discouraged and the public comment period is relegated to the end of the meeting after decisions have been made. A broad set of concerns about the partnership emerged from the interviews (e.g. decreased water quality, inadequate contract oversight, and a lack of accountability between the partners). This suggests that, similar to the decision-making process, partnership leaders have not been effectively communicating the reasons for their decisions. In addition, it suggests that the public may have concerns about the partnership that need to be sought out, acknowledged, and dealt with.

In this case, the advisory groups are interesting because they are mandated by the partnership contract and the CAG's yearly evaluation is responsible for a percentage of Veolia's incentive payments. Overall, the CAG and TAG began slowly with uncertainty
about how the members were chosen. The TAG, however, has been operating well and the two TAG members who were interviewed expressed positive, optimistic thoughts about the TAG’s future. At the time of the interviews, the CAG was undergoing a “restructuring” due to the expressed desire of its members to refocus their energies and redefine their mission. The general sentiment was that the CAG spent too much time reacting to Veolia’s agenda and not enough time actually conveying the concerns and views of the represented communities. This inability to define their own agenda is cited by Vari (1995) as a common problem among advisory groups.

Overall, participants spoke more positively about Veolia’s support for public input into their operations than they did about the Board of Waterworks. For instance, one participant, a vocal citizen activist, described being asked out to lunch by the President of Veolia’s Indianapolis operations to discuss ways Veolia could work with conservationists. In contrast, another participant described being denied his right to speak at a Board of Waterworks meeting. While these may be isolated events, they do raise questions about the traditional definitions of “public” and “private,” and are perhaps due to the meshing of responsibilities and duties in a public-private partnership. Although Veolia is a private corporation, it is required to cultivate and accept public input into its operations, something most corporations do not have to do. Additionally, at least in this contract, a small amount of its earnings are also dependent on the evaluation of a group of citizens, another anomaly in the private sector. What could this blurring of public and private mean? This question and some of the main issues described above are the focus of the next section where I discuss possible implications of the key research findings.
Possible Implications

The lack of transparency in the decision-making process, and to an extent continuing with the partnership, runs counter to the recommendations and suggestions made by Gleick et al. (2002) and the NRC (2002). In this case, transparency could have been achieved by conducting public outreach throughout the decision-making process to inform Indianapolis citizens about the management options being considered. This could have been followed by opportunities for concerned citizens to provide their input before the decisions were made, and adequate follow-up on the suggestions that were incorporated and those that were not. City-County Councilors and groups such as the Marion County Alliance of Neighborhood Associations could have assisted with this outreach and public input effort.

Certainly, there are differences between public participation in a finite decision-making process and an ongoing partnership (which is also finite but exists for twenty years). These differences include the appropriate type of participation, the amount of money and effort needed to ensure “authentic” participation, the role participation plays in decision-making, and the amount of time the participation lasts for. Roughly nine months passed between the City’s letter of intent to buy the IWC and the actual sale and creation of the partnership. In contrast, the partnership has twenty years to fine-tune and improve on public participation in its operations. Although by no means impossible, adequate transparency by the City-County government during the decision-making process would have required a concerted effort and strong leadership. This may have included proactively seeking out those citizens and groups who City leaders knew would likely have an interest in how the IWC is managed, as suggested by one of the study
participants. Clearly, among some of the study participants, the absence of this kind of
effort created skepticism and distrust in the decision-making process, resulting decisions,
and the ongoing partnership. In addition, active discouragement of participation in the
process further exacerbated these perceptions. In the case of a public-private partnership
with a long tenure, such as that for a water supply, encouraging public participation from
the beginning (i.e. the beginning of the decision-making) could be viewed as an
investment in the public’s trust and confidence in the partnership over the long term.
While this trust is not guaranteed by investing in participation, it is certainly more likely
to happen by including the public in decisions. Similarly, King et al. (1998:3) describe
“deep and continuous involvement” in decision-making processes as being essential for
“authentic” participation. Especially when participation is mandated by a partnership
contract, as in the case of the advisory groups in Indianapolis, if members of the public
are already disheartened and cynical about participation from the decision-making
process, there may be ongoing difficulties in convincing them to participate and to
provide their input as the partnership continues.

The IWC partnership also offers some interesting dynamics with regards to
traditional definitions of “public” and “private.” In this case, it seems to be the private
partner that is encouraging and cultivating public participation more than the public
partner. What are the implications of this? One possible implication is the irrelevance of
these traditional definitions in the case of a public-private partnership. Perhaps when
public governments and private corporations form partnerships to manage a public
resource, their responsibilities become so intertwined that the conventional definitions
can become blurred. What is traditionally considered a public concern, such as public

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participation, can become a private concern. In Indianapolis, this blurring has occurred such that the private partner is acting more positively about public participation than the public partner, who is either indifferent to or discouraging participation. There is certainly room for improvement in this case, such as the need to publicize the advisory group meetings more thoroughly and be more open about how advisory group members are chosen. In addition, this blurring may not occur with many or most partnerships; however, that public-private partnerships create the circumstances for this type of blurring is significant. Finally, the evidence in this study does nothing more than suggest this blurring, and its extent remains an open question in this case.

Lastly, the frequent concerns raised about the employees of the IWC highlight an area of public-private partnerships that is not addressed adequately in the literature. The NRC (2002) briefly mentioned “workforce” concerns as an important area of consideration, but did not delve further into the topic. By contract, in the case of the IWC, this has been a high-profile and contentious issue. The class-action lawsuit filed by four employees generated ongoing publicity. The first six months of the partnership saw a large number of complaints to the National Labor Board. There were threats of a strike at one point. Employee morale has been declining since the partnership began. And there has been downsizing of the workforce. Given the unique nature of the IWC partnership, where IWC employees were transferred from one private corporation to another, the perception that their benefits decreased (although this is disputed) has understandably been an area of concern. The exact opposite could be the case in some partnerships, where employees benefit from the change of employer. Clearly, though, if there is a chance that employees will financially suffer from the change, the partnership needs to be
especially cognizant of their openness and honesty with the employees about these changes. In addition, the contract itself is an important tool for protecting employees.

**Recommendations**

The final question I asked of the study participants inquired about their recommendations to other communities considering public-private partnerships for the management of their water supply (Appendix F is a brief summary of their responses). Since the study participants had all done a considerable amount of reflection on their experiences with the IWC partnership, I wanted to give them the chance to share their expertise and the lessons they have learned with others. Their recommendations can be summarized as follows (with more details in Appendix F):

1) Conduct thorough research during the planning and negotiations stage.
2) Incorporate adequate public involvement during the decision-making process and in the ongoing partnership
3) Take care of utility employees.
4) Have a long-term vision for the utility that the partnership falls within.

Given my perspective, I also want to offer a few recommendations of my own to the IWC partnership. These suggestions are based on my synthesis of the interviews and my own perspective on the events that have occurred in Indianapolis. Also, these recommendations are rooted in Indianapolis in that they are primarily forward-looking and speak to the ongoing partnership, not the decision-making process to form the partnership. My recommendations are as follows:

1) Move the public comment period at public meetings related to the partnership to the *beginning* of the meetings. While this is a small change, it
allows concerned citizens the opportunity to comment on agenda items before they have been decided upon. This contributes to authentic participation in that citizens may actually have the opportunity to influence the outcome of decisions. Furthermore, if there is an agenda item that may be controversial, consider having a separate public comment period for further discussion and input on that particular item.

2) As the CAG and TAG members start to end their terms of service, choose new members through an open, transparent process. Allow interested citizens to apply for membership on these groups and sufficiently advertise these openings through print media, the radio, and neighborhood associations. Choosing members through a closed process invites suspicion and distrust in the motivations of advisory group members.

3) Design and implement a more effective plan for publicizing the advisory group and Board of Waterworks meetings, especially those of the Citizens Advisory Group. The CAG has great potential for being an active and authentic mechanism for public participation in the ongoing partnership. This plan could include advertising meeting times and locations at community centers and neighborhood association meetings, or even including a meeting schedule with water bills. In addition, meetings should be held in locations with free parking and at a convenient time for working citizens.

4) The employees of the IWC are its greatest resource and asset. Given the history of the IWC as a private corporation, the numerous changes IWC employees have had to endure in recent years, and the class-action lawsuit that was filed on the
employees' behalf regarding lost benefits, Veolia and the Board of Waterworks need to actively and aggressively try to regain or retain the employees' confidence and respect. Low employee morale could have serious consequences such as increased employee turnover, employees unwilling to put forth extra effort in times of crisis, and poor union relations. While I am not suggesting these efforts are not currently being made, they certainly need to continue in the future.

5) If a citizen or citizens' group expresses an interest in the IWC partnership, the Board of Waterworks and Veolia need to honestly and legitimately consider their viewpoint and concerns. By creating spaces where concerns can be aired (such as at Citizens Advisory Group meetings), and responding to these concerns in one way or another, misperceptions about the partnership and its operation can be limited.

6) Consider conducting a public relations campaign that highlights the successes of the first few years of the partnership, acknowledges misperceptions, concerns, and problems and how these are being addressed, and provides information on how citizens can provide their input. This could involve taking an advertisement out in local newspapers or including a flyer in water bills.

With respect to other communities that may consider this type of public-private partnership for their water supply in the future, I also have a few recommendations, some of which are similar to those voiced by the study participants. These suggestions include:
1) Design and implement a decision-making process that is transparent and open. Include concerned citizens and citizen groups in the process and seriously consider their concerns and ideas. This is an investment that will lead to less skepticism of the partnership and its operations in the future. Even if only a few citizens step forward, honestly consider their ideas, and offer feedback on whether their ideas were incorporated into the final decision or not. If this feedback is not offered, they will feel ignored and are more likely to express their concerns again in more public forums and arenas.

2) Thoroughly research all of the management options and be prepared to explain these options to concerned citizens if necessary. Also, be prepared to explain in general terms why a certain option is chosen.

3) If another municipality is engaged in a partnership with one of the corporations being considered, contact them and ask for their input. What has their experience been with this corporation? Are there any provisions of their contract they would change if they could?

**Further Research**

There are many areas for further research revolving around water privatization and public participation. Given that all partnerships are unique and the creation of water supply partnerships remains relatively new in the U.S., more case studies such as this one would be helpful for further understanding the variety of relevant issues to these topics. A comparison of partnerships would assist in establishing common areas of benefits and concerns. Additionally, studying U.S. partnerships at different points in their existence, at
their beginning, middle, and end, could provide a useful temporal perspective. This would also provide some insight into how these partnerships change and evolve over time. Tracking the TNCs that recently entered the U.S. water market, in terms of the partnerships they are part of, common concerns and benefits across partnerships, further acquisitions and growth, and their involvement in the Third World, is another important topic that deserves continued study. There are also partnerships that exist to manage sewer and wastewater systems – in what ways are these similar and different to the partnerships being established for the water supply? Finally, further investigation into the public’s involvement in these partnerships would be useful. This could include continued inquiry into the blurring of traditional definitions of public and private and how this relates to public involvement into the partnership. Is this a common occurrence with partnerships, or an anomaly in Indianapolis? Also, are there examples of governments and partnerships that have successfully incorporated “authentic” public participation into their decision-making processes? Of course, all of these suggestions for future research are predicated on the assumption that water supply partnerships will continue and perhaps increase in the U.S. While projections of increased involvement of the private sector in the U.S. water supply exist, it remains to be seen whether they will come to pass. One participant in this study commented, “As these [partnerships] have wound down, the bigger companies are saying, ‘We don’t think this is a good business. We’re not going to bid on these jobs anymore because of the nature of the politics’… and so I think it was a good experiment.” Even if water privatization in the U.S. turns out to be a failed experiment, however, public-private partnerships will remain a policy option for municipalities for a variety of services.
Conclusion

The intersection of water privatization and public participation in Indianapolis has thus far produced mixed results. Some of these results have reflected cautions and concerns found in the literature, while others represent hopeful, positive developments. How the IWC partnership evolves with respect to general areas of concern and public involvement remains to be seen. The fact that public participation through the advisory groups is mandated by the partnership contract offers hope that the public will have a viable, authentic avenue for raising concerns and offering input in the future. In addition, it is my hope that other municipalities and partnerships can learn from the experiences, both positive and negative, of the Indianapolis partnership.

After all, it is the sharing of ideas, insights, and experiences that offers the most hope for achieving the ultimate goal in all of this: providing a safe, dependable, affordable water supply to people and communities around the globe. Involving the private sector in the management of the water supply, what many consider to be our most important public resource, is one idea that has gained considerable momentum in recent years. The IWC partnership, therefore, is one of many examples of this idea put into practice. A constant examination of the viability of these partnerships, in all of their diversity, and the retention of public involvement in decisions about the water supply, will be important for ensuring that our water remains safe, dependable, and affordable far into the future.
REFERENCES


APPENDIX A

Interview Guide

Thank you for agreeing to participate in this interview. I am a graduate student at the University of Montana and part of my master's thesis is looking at the public-private partnership between the Indianapolis Water Company and Veolia, both how the decision was made to form this partnership and how the partnership has been working these past two years. As someone who has been a part of this process in Indianapolis, I am interested in knowing your perspective on what transpired here.

Before we get started, I just need to ask you two things. First, I will be writing a report of my findings and I hope to include your opinions and knowledge in this report. Would you like to keep your identity confidential in this report, or any others, which may result from this research?

If NO, WAIVES RIGHT OF CONFIDENTIALITY: Okay, then, with your permission, I may use some of your identifying information in any reports I write or presentations I give in the future.

If YES, REQUESTS CONFIDENTIALITY: Then, I will keep your identity entirely confidential during this research. Any reports will use a pseudonym.

Second, if it is OK with you, I would like to tape record the interview. Taping ensures that your views are accurately recorded and allows me to listen more carefully to what you have to say. Is that OK with you? IF YES, TURN ON RECORDER.

I would just like to start by hearing about the history of your involvement with what occurred with the Indianapolis Water Company both in 2002 and up to the present day.

1. Can you tell me a bit about how and when you first became involved with this issue?

   Probe: Ask for clarification of details that are not sufficiently explained.
   Their specific role...
   Repeat back what they've said if necessary

2. In 2002, the city decided to contract with a private company to manage the water and sewer system. Can you tell me how the city came to that decision?

   Probe: Who participated in the process?
   Who supported the decision?
   Was there any controversy?
   Who was objecting?
   How did they make their objections known?
   Were their concerns addressed? How?
3. What do you think went well during the decision-making process?

4. What do you think could have been improved about the decision-making process?

    Probe: Were your concerns addressed or incorporated into the decision-making process and/or contract negotiations? How? How not? Why?

5. Ultimately, why do you think the city decided to contract with a private company to manage the water company?

Now I would like to switch gears a little bit and talk about the present day and the current situation that the water company is in.

6. Based on your experience, what benefits, if any, do you see to the private management of the water utility?

    Probe: Any others?

7. What concerns, if any, do you have about the private management of the water utility?

    Probe: Any others?

8. My understanding is that there are three main entities that provide opportunities for public comment and input regarding the ongoing management of this partnership. They are the CAG, TAG, and the Waterworks Board. Is that correct? Do you think these entities provide sufficient opportunity for public input into this process?

My last couple of questions relate to the bigger picture.

9. Many communities across the U.S. are considering public-private partnerships like Indianapolis’s for management of their water utilities. Do you think that this trend is generally positive, negative, or neutral, and why?

10. Finally, based on your experiences and observations, are there any recommendations you would make to these other communities as they begin to consider this option?

11. Is there anyone else that you think I should talk to about this?

If I have any additional questions or need clarification of anything, would it be okay to contact you in the future?
Thank you so much for agreeing to talk with me and participating in this study. I really appreciate it. I will be writing up a short summary of my findings along with my larger master's thesis. **Would you like a copy of this summary when I am finished?**

If you have any questions or additional comments in the future, I can be reached at this phone number and email address (HAND THEM "BUSINESS CARD").
APPENDIX B

Synopsis of Study Participants

Public Officials

1. **Beulah Coughenour** — on City-County Council at time of decision in 2002 (Chair of Public Works Committee that oversaw much of the initial work to buy the water company) and generally pro-public-private partnership; currently a member of the Board of Waterworks that oversees the Indianapolis Water Company but no longer on the Council.

2. **Jim Bradford** — on City-County Council at time of decision in 2002 and still is today; was one of the few Councilors to voice opposition to the partnership and has continued this throughout the last two and a half years.

3. **Jerry Webb** — Director of the Gas/Water/Sewer Division at the Indiana Utility Regulatory Commission at the time of the decision and still is today; involved in informal meetings with the City and Veolia concerning the partnership.

City/Veolia Employees that oversee contract

4. **Carlton Curry** — the one City employee who’s entire job is to oversee the contract between the City and Veolia; was a freelance consultant at the time of the decision and advised the City on various details of the whole transaction and forming the partnership; was on the Board of Waterworks at the beginning of its existence but is not anymore.

5. **Jean-Michel Seillier** — Veolia’s counterpart to Carlton Curry; oversees the contract from Veolia’s side; a long-time employee (~10 years) of Veolia and has lived around the world overseeing contracts (Malaysia and Australia most recently) for them; only foresees being in Indianapolis a few more years and then he will probably move on somewhere else.

TAG/CAG members

6. **Lester McKinney** — Citizens Advisory Group member from its formation to today; works for the Visitors and Convention Bureau in Indianapolis.

7. **Dick VanFrank** — Technical Advisory Group member since its formation; is also on a TAG for the partnership to run the Sewer Company (formed in the early 90’s); former chemist for Eli Lilly.

8. **Glenn Pratt** — member of the Technical Advisory Group; former EPA employee; successfully pushed for the creation of the CAG and TAG when the contract was being negotiated but still has deep concerns about ongoing public participation.
Citizen/Environmental Activists

9. Clarke Kahlo — Program Director for local conservation group Protect Our Rivers Now; has been very vocal (attending meetings, writing letters to the editor, etc.) against the partnership and pushing for more long-term water conservation measures and plans in Indianapolis watershed; also on the Board for the Hoosier Environmental Council

10. Tim Maloney — Executive Director of the Hoosier Environmental Council, one of the organizations involved in the Citizens Water Coalition in Indianapolis

11. Jack Miller — local investigative reporter who has written a series of articles for a local alternative paper about the partnership; on the Board of the Hoosier Environmental Council and Director of the Indiana Alliance for Democracy

Current/Former employees of IWC/Veolia and Union

12. Tom Plummer — long-time employee of the water company (~25 years); in management thus he is a non-union employee; the lead plaintiff in the Class Action lawsuit filed against the city over lost benefits and pension after the partnership formed; has been called a “whistle-blower” although he hasn’t lost his job yet (but wouldn’t be surprised if he did)

13. Bob Reed/Chris Burton (interviewed together) — the President and Business Manager, respectively, for the main union at the IWC; have been trying to negotiate a new union contract for almost a year but they had not signed one as of August 2004

14. Joe Broyles — President of the IWC when it was sold to the City but retired during the sale

15. Alan Kimbell — former Vice President for Marketing at the IWC (retired in the 1990s) and one of the initial members of the Board of Waterworks; was “forced” off, according to some study participants, after he wrote a critical opinion column in the newspaper about the partnership

Legal perspective

16. John Price — lawyer that handled the employees’ class action lawsuit; is also litigating a lawsuit brought by citizens that challenges the city’s authority to create the public-private partnership; believes that there is a UniGov statute that clearly states the utility should have been put under the authority of the public charitable trust that also oversees the Gas company; a decision was given in September for the City but he is currently trying to get it re-tried outside of the County

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APPENDIX C

Unigov Statute Excerpts

From pp. 452-456 of the Unigov Statutes

Section 8-1-11.1-1 Creation; board of trustees; directors; membership; appointment; qualifications; tenure; proceedings, etc.

"Sec. 1 (a) In addition to the other executive departments of a consolidated city, there is hereby created in any such city a department of public utilities, which shall have as its head and be under the general supervision and control of a board of seven (7) members, to be known as the "Board of Directors for Utilities," to be appointed annually by the board herein provided for and designated as the "Board of Trustees for Utilities."

"Sec. 1 (q) In the event such shall acquire in any manner herein provided more than one (1) such public utility and the property thereof, said board of trustees may add to such board of directors from time to time..."

Section 8-1-11.1-3 Board of directors; powers and duties

"Sec. 3 (a) The board of directors for utilities shall have, within and outside such city as provided in this chapter, the exclusive government, management, regulation and control of all public utilities consisting of any waterworks, gasworks, electric light works, heating and power plants of any kind or character, telephone and other systems of communication, and local transportation systems of any kind operated upon, above, or below any street or territory within the city...Any of which public utilities any such city may acquire or construct for the service of the public and consumers, users, or patrons, and including any public utility and all properties which such city may hold as trustee for the benefit of the inhabitants of such city."

Source: Study participant Jack Miller gave me a photocopy of these particular statutes
APPENDIX D

Text of Mayor Bart Peterson's Letter to IWC Employees

July 18, 2001

To all Indianapolis Water Company Employees:

As you know, the City of Indianapolis has reached an agreement with NiSource to purchase the assets of the Indianapolis Water Company. City-County Council President Dr. Beurt SerVaas and I believe that public ownership of the water company will maintain low, reasonable water rates and local control and decision making over this most important resource.

More important to you than this agreement is how it will affect your employment.

The City has committed to hiring a professional third party manager to operate the water company efficiently.

First, the new management structure will honor the employee benefit agreements, including the current bargaining units and collective bargaining agreements. Your benefits, such as vacation and sick time, paid holidays, medical benefits, life insurance and retirement programs, will not change.

Second, there are no plans for layoffs, and no major staff overhauls are anticipated at this time.

Lastly, the new management structure will honor all agreements with Indianapolis Water Company retirees. Retirees have put in years of service and deserve to receive their benefits.

I hope this letter answers your questions and makes it clear that we do not intend to make widespread changes. We hope that the City’s purchase of the water company will instill stability and confidence in your job. We thank you for continuing service to the citizens of Indianapolis and central Indiana.

Sincerely,

Bart Peterson

Source: http://www.watercompanysuit.com/7%20Mayors%20Letter.PDF
APPENDIX E

Membership of the Citizens and Technical Advisory Groups

Citizens Advisory Group members:

Regina Marsh, CAG President, Forest Manor Multi-Service Center
Fred Bagg, St. Francis Community Hospital & Health Centers
Faye Bradford, United North East Community Development Center
Ken Brasseur, Platinum Properties
Lillian Davis, Riverside Civic League
Steve Lains, Builders Association of Greater Indianapolis (BAGI)
Rick Link, Perry Township Fire Department
Brian Lott, Fishers Fire Department
Lester McKinney, Indianapolis Convention & Visitors Association
Glenn Miller, Morgan County Rural Water Corporation
Yvonne Perkins, Citizens Gas & Coke Utility
Charles Ratliff, Town of Brownsburg

Technical Advisory Group members:

Jane Frankenburger, Associate Professor, Purdue University
Josh Goode, Christopher B. Burke Engineering Ltd.
Vince Griffin, VP Environmental & Energy Policy, Indiana Chamber of Commerce
Kevin Hardie, Executive Director, Friends of White River
Jeff Miller, Earth Day Indiana
Kay Pashos, Legal Department, Cinergy Corporation
Bill Beranek, Indiana Environmental Institute
Richard Van Frank, Audubon Society
Pam Thevenow, Marion County Health Department
Ray Snyder, National Starch
Denise Curtis, Environmental Manager National Starch & Chemical Co.
John Pankhurst, Working Group Member
Glenn Pratt, Consultant, Sierra Club

Sources: www.iwcr.com (CAG members) and
http://www6.indygov.org/dww/meetings/technical_group/members.htm (TAG members)
APPENDIX F

Study Participants' Recommendations to Other Cities Considering Water Privatization

1. RESEARCH (9 people)

   A. Thoroughly research all of the management options (3 people)
   B. Talk to other communities that have water supply partnerships (2)
   C. Make sure you know all of the details of the present utility. Perform due diligence and be “proactive” about this (2)
   D. Research potential corporate partners and their past contracts and experiences in the U.S. (2)
   E. Talk to other unions that have been part of a partnership (1)

2. PUBLIC INVOLVEMENT (6)

   A. Have an open decision-making process to form a partnership, with full community involvement (3)
   B. Form public advisory groups, especially in large cities (2)
      1. With a Citizens Advisory Group, emphasize the importance of CAG members bringing in issues from their communities, rather than reporting to their communities (1)

3. EMPLOYEES (3)

   A. Take care of the employees, for their sake and the utility’s sake (2)
   B. Invest in adequate contract monitoring (1)
   C. Offer choices for transition to the employees (1)

4. LONG-TERM PLANNING (2)

   A. Make sure you have a long-term vision for the water utility, including water conservation (2)

5. OTHER (5)

   A. The existing utility should make every effort to increase its efficiency before exploring alternative management options (1)
   B. Take plenty of time with the decision-making process (1)
   C. Hold an open, honest, patient bidding process for private partners (1)
   D. Make sure all promises are put on paper (1)
   E. If it is possible, partner with a company that already has ties to your community (1)
   F. Only give up public control as a last resort, if absolutely necessary (1)