

United Water: A Corporate Profile

Fact Sheet • July 2013

United Water is one of the largest private water companies in the United States, serving about 5.7 million people in 21 states.¹ The company is a fully owned subsidiary of Suez Environnement,² the world's second largest water corporation, which provides drinking water to 97 million people and sewer service to 63 million people worldwide.³

Background

After its founding in 1869, United Water ballooned from a small New Jersey utility called Hackensack Water Co. to a giant that caught the eye of a French multinational now called Suez Environnement. In the early 1980s, Suez's predecessor bought a controlling stake in General Waterworks Corporation, which merged into United Water in 1994. At the time of the merger, Suez's predecessor entered into a partnership with United Water to privatize water systems in the United States. Then, in 2000, Suez bought United Water and assumed full control.⁴

Strategy

During the early 2000s, United Water pursued big city privatization deals, but by the mid-2000s, after several failures, it decided to shift its focus and take over some competitors. It made a number of sizable acquisitions, including Aquarion Operating Services in 2007 and Earth Tech's North American water operations business in 2008.⁵

In the last three years, United Water has again shifted its strategy. It has gotten rid of many small, short-term operation contracts and aggressively sought long-term leases and concessions.⁶ In 2011, the company sold more than 40 small contracts to other private companies.⁷ The next year, it exited several more small contracts, sold its water systems in Connecticut,⁸ reached a deal to sell its Arkansas systems (finalized in early 2013)⁹ and worked with private equity firm KKR to secure a 40-year concession contract in Bayonne, N.J.¹⁰

Assessment

United Water's growth has plateaued. Over the last 12 years, the number of people who receive their water and sewer ser-



vice from the company has fallen by nearly a quarter. United Water served 1.8 million fewer people in 2012 than when Suez bought it in 2000.¹¹ Poor performance seems to have contributed to these stagnant waters. Since 2000, the company has lost three of its four major contracts:¹² Atlanta,¹³ Milwaukee¹⁴ and Gary, Ind.¹⁵

Atlanta, Georgia: A Disaster

In 2003, Atlanta dissolved its 20-year, \$428 million contract with United Water after four years of terrible service.²⁹

- *Poor maintenance.* The company cut the workforce in half, accumulated a maintenance backlog of more than 13,000 work orders³⁰ and, according to the city, lacked the capacity to respond adequately to emergencies.³¹

Key Figures (2012)

Suez Environnement

Headquarters: Paris, France¹⁶

Executive Compensation:

- **CEO:** Jean-Louis Chaussade¹⁷
- **CEO compensation:** \$1.9 million (€1.4 million)¹⁸
- **Average worker's compensation:** \$35,300 (€26,800)¹⁹

Suez's CEO makes about 52 times as much money as the average (non-executive) worker²⁰

Total Revenues: \$20 billion (€15 billion)²¹

Total Profit: \$331 million (€251 million)²²

United Water (U.S. Subsidiary)

U.S. Headquarters: Harrington Park, N.J.²³

U.S. Revenues: \$946 million (€718 million)²⁴

- 65% from systems it owns and operates (mostly drinking water)²⁵
- 35% from service contracts to operate government-owned systems (mostly wastewater)²⁶

Local governments with privatization contracts: 89²⁷

Average contract length: 4.5 years²⁸

- **High costs.** Not only did the company deliver only half of its promised savings,³² but Atlanta said that the company cost the city millions of dollars by failing to collect enough late bills and to read, install and maintain water meters. The city also claimed that United Water submitted bills for work it didn't do and even worked on other contracts while on Atlanta's dime.³³
- **Corruption.** Allegations of corruption tainted the deal. The company was allegedly linked to questionable payments to then Mayor Bill Campbell,³⁴ who was later sentenced to 30 months in prison for unrelated federal tax evasion.³⁵

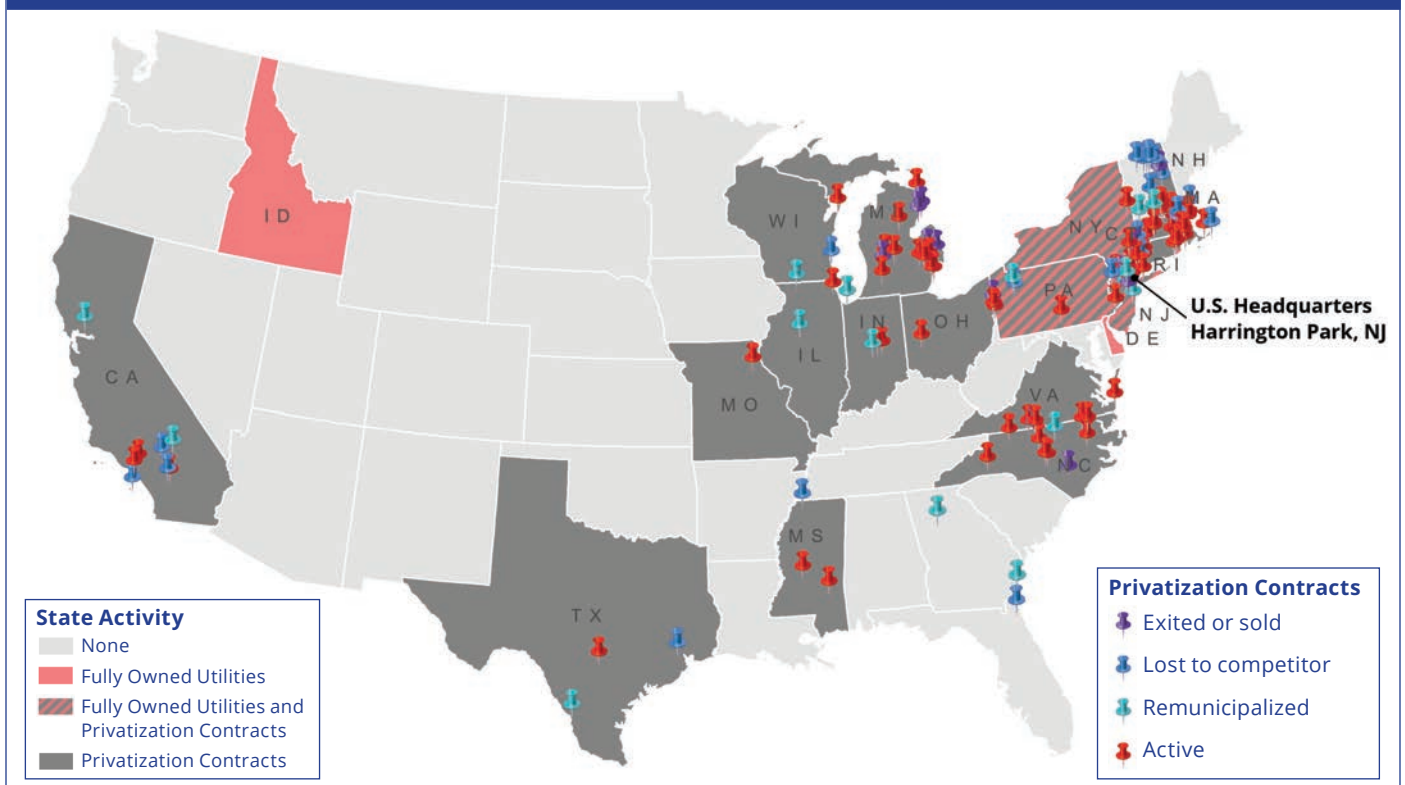
"It's a cautionary tale because quality has been jeopardized," Lee Morris, who was an Atlanta council member when the contract was signed, told CBC Radio.³⁶

Gary, Indiana: A Mess

In 2010, the Gary Sanitary District dissolved its contract with United Water to save money with public operation.³⁷ Twelve years earlier, the district board awarded a 10-year, \$100 million contract to a partnership led by United Water,³⁸ which bought out the other partners five years later in 2003.³⁹ The district extended the contract for another five years in 2008.⁴⁰

- **Rough start.** Within a month after the district board voted, without community input, to privatize the wastewater system,⁴¹ various city council members filed three separate lawsuits challenging the proposal.⁴² The lawsuits were unsuccessful.⁴³

Suez's United Water in the United States



Current locations as of April 2013; former locations are not comprehensive

- **Poor service.** After taking over, the company intended to eliminate 62 jobs, half of the workforce, through attrition.⁴⁴ Perhaps because of the downsizing, residents experienced numerous service problems. Between 2003 and 2007, there were more than 80 cave-ins as the sewer lines fell apart.⁴⁵ In May 2008, a state inspection found that the district, under United Water's management, violated discharge limits 84 times from 2005 to 2007, had at least 25 pieces of broken equipment, filed inadequate monitoring reports and failed to meet mandated deadlines.⁴⁶
- **Federal charges.** In December 2010, a 26-count federal indictment accused United Water Services of conspiracy and felony violations of the Clean Water Act for manipulating wastewater quality tests at the Gary treatment plant.⁴⁷ Although a jury acquitted the company of all charges,⁴⁸ the case raised questions about the company's priorities. The federal government alleged that the company sought to save money on chemical costs by lowering chlorine levels between water quality tests,⁴⁹ and claimed that the company's annual appraisal of its project manager gave "substantially higher weight to improving the financial performance of United Water's [Gary Sanitary District] operation than to compliance with environmental requirements."⁵⁰ The company never denied that it lowered chlorine levels; it argued, and the jury agreed, that it was following standard operating procedures to reduce chlorine levels to reflect lower water flow levels later in the day.⁵¹

In 2010, the Gary Sanitary District exited its contract with United Water; public operation was estimated to cut operating costs by 28 percent, saving \$4.4 million a year.⁵²

Camden, New Jersey: A Scathing Audit

In 1999, United Water (formerly U.S. Water) took over the operation, maintenance and management of Camden's water and sewer systems through a 20-year, \$178 million contract. A decade later, the New Jersey State Comptroller's Office issued a scathing audit of United Water's Camden operations. It found that inadequate contract supervision and the company's poor performance cost the city millions of dollars and potentially jeopardized the health and safety of its residents.⁵³

- **Excessive water loss.** The system lost 45 percent of its water from 2004 through 2008, even though the contract required the company to limit losses to 10 percent. This noncompliance cost the city almost \$2 million.⁵⁴
- **Poor maintenance.** Inadequate upkeep of water wells, storage tanks, fire hydrants and other equipment posed potential health and safety risks.⁵⁵
- **Faulty billing practices.** The company's faulty billing practices and failure to calibrate meters cost the city more than \$1 million in 2008 alone.⁵⁶

Although the company disputed many of the audit's findings, the city agreed with every recommendation and sought

approximately \$29 million from United Water in compensation.⁵⁷ The company responded by suing Camden for nearly \$6 million in alleged back payments.⁵⁸

In 2012, the city and the company settled out of court. The city agreed to pay the company \$2.7 million and waive \$1.3 million of concession payments that the company owed it. They also agreed to modify the management contract to clarify responsibilities.⁵⁹ One essential change to the contract was shortening it by four years, so that the deal ends in January 2015 instead of January 2019.⁶⁰

Other Notable Cases

Milwaukee, Wis.: In 2007, after receiving at least 20 notices of contract noncompliance for problems including sewage overflows, United Water lost its largest contract. The Milwaukee Metropolitan Sewerage District decided against renewing the deal when it expired the following February and instead selected another company to run the sewer system.⁶¹

Gloucester, Mass.: In 2009, after bacterial contamination left residents and businesses boiling their drinking water, some for 20 days,⁶² Gloucester decided against renewing United Water's contract to run its water system.⁶³

Fairfield-Suisun, Calif.: In January 2008, after nearly three decades of contracting out the operation and management of its sewer treatment plant, the Fairfield-Suisun Sewer District unanimously voted to bring its system in-house and not renew its contract with United Water.⁶⁴ Public operation cut operating costs by 7 percent in the first year,⁶⁵ and in the following years, public operation was expected to save the district 10 to 15 percent annually over the cost of continued privatization.⁶⁶

Endnotes

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