Water Privatization, Provider-User Relations and Water Conservation

Preliminary insights from California

I. This research is motivated by:

A. The fact that 300 million people receive their water from private providers and this number is likely to increase in the future.

B. Reports, primarily from England, suggesting that after water privatization:

   a. Users became less responsive to water providers' calls for conservation during shortages,
   b. Users became more resistant to water price increases,
   c. Water providers became more reluctant to ask for, or impose reductions in water consumption.

C. The possibility that such effects are not incidental but related to a shift with privatization from a civic model of water provision to a customer model, since in the latter,
   a. Users are likely to be:
      i. less willing to sacrifice for the common good,
      ii. expecting the service they have paid for at all times.
   b. Providers are:
      i. more reluctant to impose hardships on users' consumption,
      ii. more likely to use market instruments, rather than command-and-control instruments or appeals to civic duties.

II. This paper:

A. examines whether the observations from England are relevant to very different contexts and types of privatization, by:
   a. Comparing users' stated attitudes to appeals for conservation, mandatory conservation and pricing in comparable, neighboring public and private water utilities in California, U.S.A.
   b. Comparing the actions taken by water providers in California in last summer's drought and in particular the ways they approached their users and tried to influence their consumption.

B. Tests the null hypotheses that:
   a. There is no difference between in attitudes towards conservation or prices between users in public and private providers.
   b. There is no difference between public and private providers' conservation policies during drought shortages.

C. Investigates the reasons for differences, if any, developing hypotheses for further research.

III. Three types of methods were used:

A. A survey of 600 water users in three couples of comparable public vs. private utilities, which assessed:
   a. how willing are users in each utility to respond to voluntary appeals for (a set of increasingly demanding) cut backs.
   b. how users would respond if their provider mandated them to cut back on water use.
   c. how willing are users to pay higher prices to cover the cost of infrastructure improvements.
   d. whether users thought their responses depend on their provider being public or private,
   e. how aware are the users of the public or private character of their provider,

   accounting for:
   f. Degree of practicing conservation already.
   g. Whether responding household pays for water itself or not.
   h. Cost of water.
   i. Income levels.

   and avoiding bias in sample demographics by:
   j. making random calls in different days and times of the day.
   k. Talking only to adults.
   l. Informing about the topic of the discussion only after consent for interview was granted.

B. A telephone survey of water (conservation) managers in a randomly selected sample of 30 private and 30 public water providers which gathered information on:
   a. whether they issued voluntary calls for conservation last summer.
   b. whether they applied any mandatory cuts on water uses.
   c. The type of messages and tools they used to sensitize their users

   accounting for:
   d. Type of resources and hence severity of drought (groundwater-dependant providers face drought conditions later).

C. In-depth interviews with water managers in one public and one neighboring private utility in the same catchment that faced drought conditions this summer, comparing:
   a. Whether and how they tried to make users consume less water.
   b. The type of instruments and messages they used and why they differed, if they did.

IV. The results suggest that:

A. The stated willingness of users to respond to appeals to conserve water:
   a. is generally high,
   b. is – as expected - higher the easier the cuts,
   c. does not differ between users served by public or private providers,
   d. and is relatively insensitive to scenarios about the provider being private or public,
   e. though a considerable minority in private Felton (26%) would be more willing to conserve if the utility were public and a sizeable minority in Ben Lomand (9%) and San Francisco (16%) would be less inclined if the provider were private.

B. The acceptability of mandatory conservation:
   a. is substantially lower than the willingness to conserve voluntary,
   b. is remarkably low for users in privatized Felton compared to neighboring public Ben Lomand, and significantly higher in public San Francisco compared to neighboring San Jose (there is no significant difference between public and private providers in Thousand Oaks).

C. The unwillingness of users to pay higher rates:
   a. is significant for all cases,
   b. is remarkably higher in private Felton than in neighboring public Ben Lomand (though users in Felton pay already almost double than those in Ben Lomand), higher in private than public Thousand Oaks, and slightly higher in private San Jose compared to neighboring San Francisco.
   c. is more sensitive to scenarios about the provider being private or public than is conservation,
      i. users generally less inclined to pay higher prices for private providers,
         1. especially in Felton and Ben Lomand,
         2. for a significant minority in San Francisco,
         3. and for a small minority in Thousand Oaks

D. Users' awareness of the public or private character of their provider:
   a. is much higher in Felton and Ben Lomand, which are small communities and where the privatization in Felton has been recent and controversial, covered regularly by local media,
   b. is low in Thousand Oaks-private and San Jose (and lower than in Thousand Oaks-public and San Francisco), which are older privatizations.

E. In this summer's drought:
   a. Significantly more public than private water providers issued conservation calls to their users,
   b. and all but one of the private providers that issued, did not do so directly; it was the public districts they belonged to that issued the conservation calls.

c. No provider applied mandatory restrictions (though the drought was not yet that severe to warrant them),
d. Public providers were more likely to use semi-mandatory or target-oriented messages,
e. and keen to work with their users through voluntary conservation programs
f. whereas, private providers were keen to wait and even recourse to harsh mandatory restrictions, once regulators declared drought formally.

V. Our evidence:

A. provides material to question:
    a. Null hypothesis 1, as at least for two couples of cases and for parts of the population, the private character of the provider seems to make a difference in willingness to accept mandatory conservation and higher prices.
    b. Null hypothesis 2, as there seems to be a discernable difference in the degree that public vs. private utilities implemented proactive conservation measures at last summer's drought.

B. but without being capable to distinguish:
    a. For hypothesis 1, whether it is the public vs. private character of the providers responsible for the differences, or more specific factors, such as:
        i. Public outcry with the privatization in Felton and the recent price hikes, that has also reached neighboring (public) Ben Lamond,
        ii. The liberal, pro-public political opinions that dominate San Francisco compared to more conservative San Jose.

    b. For hypothesis 2, to which extent the difference in providers' approaches is because of:
        i. Differences in the way private providers see their role in relation to users,
        ii. Difference in the acceptance of a more "interventionist" conservation approach by users in public vs. users in private utilities,
        iii. Or other differences, such as profit incentives and economic regulation.

VI. We can however propose, given our quantitative results and qualitative evidence from the interviewees' responses, that:

A. There is a difference in the way private and public providers see their relation to users and that this is part (decisive or not, is not clear) of the reluctance of private providers to proactively intervene and push water conservation.

B. This has its mirror image in the relative higher reluctance of users in private providers to accept a more interventionist conservation approach.

C. Whereas private providers may be keener to use market instruments and the price signal for conservation, a downfall could be that their for-profit character makes users more skeptical of price increases.

D. On the other hand, conservation is motivated to a large extent by idealistic (civic?) motives as evidenced by the cross-the-board high positive response rates of users to voluntary cuts.

E. Private providers' conservation strategies may be seen as (an indirect) recognition of the importance of this idealistic-civic component, as evident by:
    a. Discourses that emphasize the collective character of droughts or their environmental impacts,
    b. The delegation of conservation programs to public entities (districts),
    c. Waiting for regulatory orders to start conservation programs vis-à-vis the reluctance to start proactively.
        i. Interestingly, and contrary to expectations, this ability of private providers to "diffuse" to public bodies the responsibility for water use restrictions during exceptional circumstances, makes them more likely to employ mandatory measures, than public counterparts, who seem more likely to develop voluntary programs with users.

VII. Does the shift from a civic to a customer model of water provision make a difference for conservation?

A. Whereas a civic component might remain important for conservation, the binary distinction and rupture between a public, civic model of provision and a private, customer model of provision might be oversimplifying, as:
    a. Public providers are becoming more customer-oriented (e.g. working with their users and being careful to avoid unwarranted hardships).
    b. Old, local private providers, such as the San Jose water company, are often indistinguishable from public counterparts.
    c. Parts of water supply such as:
        1. the "natural" provision of water (weather and rain),
        2. parts of the provision (e.g. wholesale water supply in California),
        3. the environmental benefits of conservation.

    remain collective even if provision is privatized,
    d. Private providers are keen to:
        i. instigate this collective dimension when asking users to conserve water or,
        ii. to delegate conservation to the public entities (regulators, resource agencies) that typically retain responsibility for such collective functions.

B. Therefore whereas water users may be increasingly treated as customers by their providers, we expect that they will also be continuously instigated to think and act like citizens in periods of crisis and for purposes of conservation.

C. But mobilizing this “civic” potential might be compromised:
    a. By the for-profit character of private providers, especially when
        i. Privatization has been recent and controversial,
        ii. Price (and profit) increases make users less tolerant to compromises in customer service or calls for personal sacrifices.