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Water Privateers go Hand in Hand with Bottled Water Companies

On September 4th 2007, Nestlé Waters North America announced that it will further expand its operations in the United States with a new water bottling plant in Greenwood Indiana. The 215,000 square foot plant will produce approximately one million single serve bottles of water per day and source its water from the public water system.

This means that [Nestlé](#) will be adding another plant in the US – Nestlé already bottles tap water in Tennessee - that sources its water from municipal taps. While [Pepsi](#) (Aquafina) and [Coke](#) (Dasani) are the biggest users of municipal tap water as their primary source for bottling operations, Nestlé, which has until now sourced its water from wells or springs, has signaled a move to take water directly from municipal systems.

Nestlé's choice of location in Greenwood Indiana is significant because the municipal water system is owned and managed by a huge multinational water services company: Indiana American Water, a subsidiary of German services giant [RWE](#).

While this may not be the first time a large beverage company has sourced its water from a municipal system owned or managed by a multinational private water services company – 15% of US municipal systems are privately run, 5% in Canada – this is the first time Nestlé has strayed from wells or springs and settled in close to a tap.

Aside from the numerous concerns inherent with the bottled water industry there are a number of disturbing issues that arise when bottled water companies purchase water from a private water company that specializes in taking over public water services from cash strapped municipal governments and then running them on a for-profit basis.

The private water company in this case, Indiana American Water, manages water delivery in twenty one Indiana counties for 272,000 customers. Nestlé's new plant will be located in Johnson County where Indiana American Water provides service to an area encompassing the cities of Greenwood and Franklin, as well as portions of Clark,

Needham, Pleasant and White River townships. The company also sells water to municipally owned systems in New Whiteland and Whiteland.

Undermining confidence in public water systems – a competitor in common

Nestlé already plays a central role in undermining the public's confidence in public utilities by convincing people to drink bottled water through advertising campaigns. Cultivating consumers' willingness to pay more for a litre of bottled water than they pay for gasoline can help set the stage for public acceptance of privatized water services.

The two industries, after all, share the same competitor – municipal managed tap water systems. When confidence in tap water is diminished through multibillion dollar advertising campaigns and the dependence of bottled water is grows, the likelihood of taxpayers advocating for municipally managed and delivered tap water will disappear. Funding for municipal water systems will decrease and local governments will eventually be forced to privatize when water infrastructure begins to crumble.

This is when the private water services industry can move in and take over municipal systems, placing control of a precious resource in the hands of a few corporations. Bottled water companies occupy an important role in the dangerous play of privatization of public water services.

Rates

Private water services companies have a long track record of taking over struggling municipal systems and then raising rates.

Customers in Johnson County have endured numerous rate hikes by Indiana American Water over the years. Most recently in April 2007, the Indiana American Water filed a request with the Indiana Utility Regulatory Commission to raise its residential water rates in Johnson County by 18.1 percent. The company said the rate hike, which would amount to about a \$4.93 increase per month, would pay for infrastructure investments and increased operating costs. The Commission eventually settled with the company, allowing for a 9.9 percent rate hike.

Due to its track record of rate hikes Indiana American Water has met with resistance in some communities in the County. In 2002, for example, Indiana American Water tried to purchase Whiteland's water utility. Town Council members turned the company down voting 4-1 not to sell the water utility saying that under Indiana American Water, water rates would have risen by \$6 a month.

Nestlé now will be buying its water from Indiana American Water at what will likely be a greatly reduced rate compared to what residential customers pay for their monthly water bill. Regular customers may well be in the position of subsidizing Nestlé's reduced rate.

In addition, the rate Nestlé will pay for its water from Indiana American Water might never become public due to the fact that this will be a transaction between two corporations that are beholden to shareholders and not regulatory authorities.

This situation may leave Indiana American customers in the community to watch while Nestlé, with revenues of \$80.78 billion in 2006, takes water from the community for what is likely a nominal fee and then sell it at thousands of times the price.

Disclosure of water takings

For the same reasons it will be difficult to monitor Nestlé's water rates, it will be hard for the public to tell how much water the company will be using for its bottling operation. While it will be possible to roughly estimate how much water Nestlé takes by tracking the size of the plant, the number of trucks leaving the plant etc., the level of public scrutiny needed to calculate the environmental impact of the operation will be diminished because both players are powerful corporations.

CEO Water Mandate

The bottled water and private water services industries are already working together to gain more control this precious resource through the United Nations [CEO Water Mandate](#) an initiative by some of the global water giants, Nestlé, Coca Cola and Suez included.

The Mandate, a non-binding voluntary agreement between corporations organized through the United Nations Global Compact, pushes for corporate control of water governance structures at all levels of government, civil society and in local communities.

Alarming example

Much like the CEO Water Mandate, Nestlé's proposed plant in Johnson County represents an alarming example of how private water services corporations and bottled water multinationals are joining ranks to push for greater control and commodification of water resources.

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