

Bechtel Profits from Dirty Water in Guayaquil, Ecuador



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One in six people in the world lack access to clean and affordable water and thousands of children die of water-borne diseases every day. Yet many corporations seek to profit from providing water, often elevating the narrow interests of their companies and its shareholders above social and environmental goals. Corporations like Bechtel are in the business of privatizing water – taking control of the local water utility from local authorities. Around the world, privatization has led to large rate hikes, and unreliable water delivery for consumers. In developing countries the poorest communities often have no water services at all. This is now the situation in Guayaquil, Ecuador, where there are hundreds of documented complaints in Guayaquil due to Bechtel's appalling service.

The City of Guayaquil

In Ecuador, the government has an obligation to provide its citizens with access to a clean water supply, but the Guayaquil government was unable to do so. Due to a lack of resources, the city government of Guayaquil failed to provide suitable sanitation and potable water services. An inefficient public administration and exponential population growth made matters worse. When the Inter-American Development Bank offered to loan Ecuador money to improve the city's water service, Guayaquil accepted. However, the loans came with the condition that Guayaquil hand over the control of their water to an international corporation.

The Contract with Bechtel

On April 11, 2001 the contract between International Water Services, a joint venture headed by Bechtel known as Interagua in Guayaquil, and Empresa Cantonal de Agua Potable y Alcantarillado de Guayaquil (ECAPAG), the Regulatory Agency in Guayaquil, was signed at the Inter-American Development Bank in Washington, D.C. Bechtel headed the only bid to run the water system. With the signing of the concession contract Interagua became responsible for the potable water treatment, transport, storage, delivery, and

sewage treatment of water. Privatization fulfilled the terms of a 1997 \$40 million loan between the Inter-American Development Bank and the Ecuadorian government, which was agreed upon under the condition that the services be privatized, a condition that was called "the first effort to alleviate Interagua of the need to invest." At the signing the company promised to invest \$500 million over the 30-year concession period, connect 55,000 new users and increase water service coverage to 90 percent of the population. However, due to extremely poor service and the lack of maintenance, investment, and expansion of the service, complaints began to mount over the next six years.

The Failure

In 2006, Bechtel's total revenue amounted to \$20.5 billion, and Interagua's operations in Guayaquil earned \$300 mil-



Cistern in Suburbio used for water storage due to unreliable water service.
Photo courtesy Observatorio Ciudadano de Servicios Públicos.

Access to Water in Ecuador

Population with access to improved water sources¹

Rural: 42%
Urban: 77%

Water services in Guayaquil²

Households without improved water: 21%
Household without wastewater service: 51%



Open canals for wastewater in Guasmo. Photo courtesy Observatorio Ciudadano de Servicios Públicos.

lion in revenue. Despite all this money coming in, Interagua still had not initiated the rehabilitation programs it had promised. Concerns and complaints mounted over broken pipelines, floods due to malfunctioning sewage systems, exorbitant water rates, poor water quality, and environmental damage due to the lack of wastewater treatment during this first five-year period.

Lack of investment in storm drainage has forced many residents to suffer the health effects by the constant flooding. In 2002 the company was treating only five percent of the sewage and releasing the rest, including fecal material, and domestic and industrial waste directly into the local river, Guayas.³ The health department began to issue reports documenting health problems that children were experiencing in communities located north of the city, such as Acuarelas del Río and Guayacanes, where the sewage was being released. The health problems included skin rashes, asthma, and gastric problems such as diarrhea.

Along with overflowing sewages and illegal dumping, unsafe tap water has also contributed to the serious health crisis. Residents complain about the “nauseating” and “unbearable” odor coming from the tap water.⁴ In June of

Bechtel in Bolivia

Bechtel has a poor track record when it comes to privatization. In Cochabamba, Bolivia, Bechtel entered a similar contract to Guayaquil's in 1999. However, as soon as Bechtel took over the city's water system, problems started mounting. The water rates quickly doubled – many poor residents making as little as \$70/month received \$20 water bills. Outraged by this injustice Bolivian citizens organized a protest that led to a general strike that shut down the city. The Bolivian Government defended Bechtel with deadly force, killing at least one person and wounding hundreds more during the protest. From January to April 2000, people organized and eventually the government was forced to cancel Bechtel's contract. Bechtel countered with a \$50 million lawsuit claiming that Bolivia had forfeited future profits. Beaten by years of bad publicity, Bechtel eventually settled the lawsuit for just 30 cents.

2005 over 150 children were infected with Hepatitis A from drinking dirty tap water. The outbreak was concentrated around the western suburbs of Guayaquil where 76 percent of residents described their water as dirty and foul-smelling. Interagua denied responsibility for the outbreak but studies have shown that it was a combination of the nonfunctional sewage system and poor water quality that contributed ultimately to the outbreak of Hepatitis A.⁵ The Commission for Civic Control and the Public Defender's office declared that Interagua held some responsibility for the Hepatitis A outbreak and concluded that the water was “not fit for human consumption.”⁶

Observatorio Ciudadano de Servicios Públicos (Citizen's Observatory for Public Services) has documented Bechtel's contract violations. The work of the group – which brings together numerous civil society groups in Guayaquil to monitor and help improve government services – has shown the constitutional, legal and contractual violations of Interagua and demanded that action be taken. These violations include repeated cut-offs of water service that lasted for more than 24 hours, which is illegal unless the company provides alternative sources of water for the residents. In some areas Interagua cut the water for 23 hours a day in order to evade the responsibility of providing an alternative water source. In addition, Interagua has repeatedly violated consumer laws that prohibit billing based on average consumption instead of actual water consumption.⁷ In July 2007 ECAPAG fined Interagua \$1.5 million for non-compliance with its contractual obligations due to the company's failure to make 8,000 water connections it agreed to provide in the first five years.⁸

Taking Back Control

Guarantees and loans provided by the World Bank and the Inter-American Development Bank have ensured a profit-

able investment for one of the world's most influential corporations, Bechtel. But, similar to the experience of many other cities across the world, water privatization has not solved water problems in Guayaquil. Instead, Bechtel has delivered water not suitable for drinking, refused to expand service, cut-off water to those unable to pay, and neglected responsibilities to provide wastewater treatment compromising the local environment and public health.

The Citizens' Observatory and other organizations in Guayaquil will continue to demand that water and other public services be publicly owned, controlled and managed. This push for citizen oversight and participation in public services is also being acknowledged and supported on an international scale. The latest Human Development Report from the United Nations Development Programme argues for a key role for public agencies to provide affordable water. It criticizes the view of privatization as the 'magic bullet,'⁹ and details how water delivered by private operators comes at a higher cost.

To ensure that safe and affordable water is available to the 1.2 billion people across the globe that currently do not have proper access, we need to abandon failed policies and stop pushing countries to privatize water services. Governments need to involve residents in solutions and recognize the human right to clean and affordable water.

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- *Aguita Amarilla*, Observatorio Ciudadano de Servicios Públicos, Octubre 2007.
- *Environmental and Social Impact Brief*, Inter-American Development Bank, April 2003.

Endnotes

¹ PanAmerican Health Organization, 2006.

² "Study of Poverty in Guayaquil (Estudio de la pobreza en Guayaquil)" by



Raw sewage is discharged into the saltwater estuary at Isla Trinitaria. Photo courtesy Observatorio Ciudadano de Servicios Públicos.



Floods in Guasmo due to the lack of rainwater drainage. Photo courtesy Observatorio Ciudadano de Servicios Públicos.

the Board of Order and Territorial Infrastructure (Dirección de Ordenamiento e Infraestructura Territorial) with assistance from the United Nations (Sistema de Naciones Unidas – PNUD, Un HÁBITAT), 2007.

³ *El Universo*, "Tratamiento de aguas servidas no supera el 5% en plantas de Interagua," Guayaquil Ecuador, el 8 de junio de 2002.

⁴ "El agua llega turbia a las redes de 4 zonas del sur." *El Universo*. 26 noviembre 2005.

⁵ *Aguita Amarilla*, Observatorio Ciudadano de Servicios Públicos. October 2007, quoting from reports of the Commission for Civic Control (October 3, 2005) and the Public Defender's office (October 7, 2005).

⁶ *Aguita Amarilla*, Obervatorio Ciudadano de Servicios Públicos. October 2007, quoting from reports of the Commission for Civic Control (October 3, 2005) and the Public Defender's Office (October 7, 2005).

⁷ Ojo, Boletín electronico del Observatorio Ciudadano de Servicios Públicos, Numero 12, 27 de marzo de 2006.

⁸ "Cuantioso castigo a Interagua de \$1.500.000 por incumplir contrato," *El Universo*, 28 de julio del 2007, Guayaquil, Ecuador.

⁹ United Nations Development Program (UNDP) "Human Development Report 2006 – Beyond scarcity: Power, poverty and the global water crisis," Summary, p 21.

About Food & Water Watch

Food & Water Watch is a nonprofit consumer organization that works to ensure clean water and safe food in the United States and around the world. We challenge the corporate control and abuse of our food and water resources by empowering people to take action and by transforming the public consciousness about what we eat and drink.

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