

THE TRUE VALUE OF WATER

By Randy Hellbusch, Circuit Rider

You have probably heard it said many times that water is our most precious natural resource. Yet the drinking water industry has long experienced difficulties in conveying to consumers the value of the service provided. Water itself is basically free. Anyone can take a bucket to a stream or river and dip out all they want. But are they willing to drink it? Maybe if people were forced to do this for a short period of time they would be more agreeable to paying the true cost of clean, safe water.

Clean, safe drinking water delivered right to the tap of the consumer comes at a price. Often times though it does not come at the price that it actually costs the system to produce. Most consumers pay much less for water than they do for other utilities such as electricity, natural gas, etc. The electric and gas companies keep up with the rising costs of producing and delivering their product and pass those costs on to their consumers. I am fairly confident that there is no one out there that is paying the same for electricity or gas that they were five years ago. Yet there are many water systems out there that haven't increased rates for five years or longer. To the consumer this sends the message that water must not be worth much. It gives the appearance that water is less valuable than other utilities. Consumers say to themselves, "My water doesn't increase like the rest of my utilities do so it must not take much to produce and deliver it." The effect of underpricing a product is to understate its value. Many water systems' rates do not reflect the true cost of delivering clean, safe water. Many water systems are subsidized with funds other than revenue from the water sales alone. This practice is often more acceptable politically than actually raising the rates to cover the true cost of operation. This often catches up with a system when the source of subsidization suddenly isn't there anymore or the water system needs major improvements but no money has ever been put aside for upgrades. Then what? In the words of Emeril Lagassi: "BAM!"

Suddenly the system needs a major rate increase. Now you have a major public outcry. "Why wasn't someone aware that our water system was losing money? Doesn't anyone keep track of this kind of stuff?" The water utility that thought they were doing their customers a favor by never raising rates now has a lynch mob on their hands. It is much easier for the average consumer to budget for a small increase every year or so than to suddenly see their bill double from what they were used to paying. The water industry can learn a valuable lesson just looking around them and seeing what other utilities are doing. When your cell phone contract is up, do you expect the next contract to be the same price? Good luck with that. How often does your cable or satellite TV bill increase? Ask yourself what is actually more valuable, the cell phone and TV or clean, safe drinking water?