

NEWS RELEASE

DATE: January 31, 2017

CONTACT:

Sue Brelus, 617-425-8193

susan.brelus@analysisgroup.com

ANALYSIS GROUP EXPERT QUANTIFIES EFFECTS OF CONTESTED GOVERNMENT TAKEOVERS OF INVESTOR-OWNED WATER UTILITIES

SAN FRANCISCO, CA--Contested government takeovers of investor-owned water utilities are typically very costly for the acquiring government entity, and the utilities do not necessarily perform better post-takeover than under private ownership, according to a new research report issued today by a team of economics consultants from Analysis Group led by Dr. David Sosa. Analysis Group is one of the largest private economics consulting firms in the United States. The report, titled “The Economic Consequences of Contested Government Takeovers of Investor-Owned Water Utilities,” was prepared for the California Water Association.

Contested government takeovers involve the power of eminent domain. These actions necessitate a large commitment of time and resources, and are often challenged in court. Dr. Sosa and the Analysis Group team empirically examined what has happened in past contested transactions to gather evidence about the impact of these types of takeovers.

“Arguments made in favor of government takeover of water utilities frequently cite lower costs, among the purported benefits,” said Dr. Sosa. “We examined case studies of four systems where eminent domain proceedings were initiated to examine these arguments and the effects of contested acquisitions, and we found these claims to be unsubstantiated.”

The four systems analyzed are based in Felton, CA, Montara, CA, Nashua, NH, and Missoula, MT. Additionally, the report examines anticipated savings from municipalizations and costs incurred during contested transactions.

The report’s key findings are:

- Government ownership of the Montara and Felton systems has failed to deliver the rate benefits promised to customers.
- Change of ownership, from investor to government entity, places immediate and substantial financial burdens on customers and taxpayers for which there is no compensating benefit.
- Advocates of government takeovers typically identify the elimination of “profits” and taxes as two sources of financial benefits from a change in ownership. There is no sound basis in accounting or economics to support the expectation of real benefits to ratepayers, in the form of lower bills, from the elimination of these sources.
- Local governments and advocates of government takeovers tend to underestimate acquisition costs by more than 100 percent.

- Contested takeover efforts have proven to be very costly to government entities. The costs incurred to support eminent domain litigation and to finance an acquisition are a significant economic burden on ratepayers and taxpayers, in addition to the cost of the water system, for which there is no compensating benefit.

Learn more about the report at

http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/sosa_contested_government_takeovers_water_utilities.pdf.

###

Analysis Group is one of the largest private economics consulting firms in North America, with more than 700 professionals across 11 offices in the United States, Canada, and China. Since 1981, we have provided expertise in economics, finance, health care analytics, and strategy to top law firms, Fortune 500 companies, and government agencies. Our internal experts, together with our network of affiliated experts from academia, industry, and government, offer our clients exceptional depth of expertise.