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Coalition for an Affordable Bay Solution Calls for an End to Failed Government Monopoly; Cites Bipartisan Report Calling for Competition to Reduce Bay Pollution

MANHEIM, Pa. – (June 9, 2015) – Pennsylvania has failed to meet its Chesapeake Bay pollution reduction mandates. A special report issued by Pennsylvania’s Auditor General highlighted the severe potential economic sanctions for failure to meet the state’s 2017 targets. Possible sanctions include fines, requiring high-cost Enhanced Nutrient Recovery (ENR) upgrades to wastewater treatment plants and higher-cost stormwater treatment, and ultimately, the very real possibility of a moratorium on new federal water discharge permits in the Susquehanna Valley.

Government monopoly, barriers against private sector competition, excessive costs and failure to meet targets – all describe Pennsylvania’s strategy to meet its Bay compliance targets over the past decades. Billions in taxpayer dollars for abject failure. Why? The existing legacy policy approach to pollution reduction lacks transparency and accountability and discourages private sector competition.

Here is an example of how lack of competition can negatively impact consumers’ wallets. The *New York Times* recently compared an equal cell phone service between U.S. and British providers. For the same plan, American consumers paid \$100 versus British consumers, who paid \$68. So, why the \$32-a-month difference in price? Several factors are involved, but an important one is regulatory policy. Britain has forced companies to lease their networks to competitors at cost. The United States has not, allowing a formidable barrier against competitors. “The United States lacks meaningful competition in its cellular market sector, which leads to higher cell plan prices than a growing list of other countries,” said Sascha Meinrath, founder of the Institute at the New America Foundation. “Over the next decade,” Mr. Meinrath said, “U.S. consumers may overpay by over a quarter of a trillion dollars for worse levels of service than customers in other countries receive.”

In January 2013, the Pennsylvania Legislative Budget & Finance Committee (LBFC) issued a study that projected Bay compliance costs could be reduced by up to 80% or \$1.5B annually by 2025. How? By switching to a competitive bidding program for verified nutrient credits. Such a policy change would inject private sector competition into what is presently a monopoly controlled by the government at all levels. It has the very same effect on the taxpayer as the lack of competition in the cell phone industry has on phone owners. Low cost alternatives are ignored in favor of high-cost public sector infrastructure projects and other opaque government funding programs.

Competitive bidding is used nationally by government at all levels to provide transparency and to protect the taxpayer from waste, fraud and abuse in the purchase of goods and services. It would appear that a projected 80% reduction in Bay compliance costs would qualify the existing government solution to pollution reduction as abusive. Unfortunately, the bipartisan LBFC study has languished, and attempts by State Senator Elder Vogel and others to move legislation to implement the LBFC recommendations have been opposed by stakeholders of the existing solution that benefit from the government’s largess. Today, the Susquehanna watershed faces \$6 billion in storm water costs driven by Bay and other environmental mandates. Like other Pennsylvania cities, Lancaster has asked for assistance from the governor’s office in negotiation with EPA due to a projected Bay compliance cost of \$100-\$400 million.

The Commonwealth has failed to meet its Bay targets and is in default of its compact agreements with the other Bay states. A delegation of Maryland lawmakers recently wrote to EPA asking them to use federal enforcement authority to secure compliance from Pennsylvania. They specifically targeted Susquehanna watershed agriculture for regulatory action thereby threatening the region's economic engine. Governor Wolf ran for office as a problem solver. This is a major problem whose artificially excessive costs will be borne locally while Susquehanna watershed communities are held hostage to a regulatory solution that can only come from the legislature and the governor's administration. Injecting private sector competition through policy reform will reduce the cost to government at all levels while providing large scale pollution reductions to meet the Bay mandate.

The LBFC study recommendations need to be implemented. Private sector competition needs to be enabled to provide low cost alternative solutions. Failure to act will result in significantly higher local fees for water, sewer and stormwater services. Communities such as Danville have already had sewer and water fees rise by as much as 300%. In the end, these communities will have less funding available for public safety, education and overall quality of life while the existing solution's supporters will continue to feed at the public trough.

This is not a state budget issue. It is a massive local budget issue for Susquehanna watershed communities that are helpless to solve the issue absent legislative and administration action. The solution is policy change as proposed by the bipartisan LBFC study that will enable private sector competition. Senate Bill 724 introduced by Senator Vogel is a first step in achieving the LBFC recommendations and providing a "win-win" for the environment and Pennsylvania taxpayers. We respectfully ask for the administration's support and legislative action.

For more information on the Coalition for an Affordable Bay Solution, please visit AffordableBaySolutions.org.

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