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Book Review:
Planet Water: Investing in the World's Most Valuable Resource

Mustapha Alhassan

"Water" as is often said "is life." It is not surprising that Hoffman refers to it as the most precious resource of mankind. Indeed water is indispensable to the survival of mankind. It is so important to human existence that it constitutes all aspects of life. Water is used by humans for consumption, bathing, cleaning of utensils, cleaning of houses, maintenance of the environment; and for food production, drinking water for animals, irrigation for agriculture, as well as medicine to cure some ailments.

Hoffman is the founder of WaterTech Capital, a private investment company that specializes in investment opportunities within the water industry. With over twenty-five years of experience in the water industry as a water rate designer, resource economist, entrepreneur and investor, Hoffman has seen firsthand the dramatic transition of the water business. He warns that the water industry had gone through tremendous changes over the last 20 years and will have some dire consequences if not addressed.

"Water will be the resource that defines the twenty-first century driven by substantial increase in its value." (P.xii). Water will increasingly become the most important resource in the world and will provide short and long-term investment opportunities if properly managed. Investors are reminded to keep the following in mind as they make plans to go into water investment: First, water has no substitutes. Second, prices set at the margin should include the marginal cost of water. Third, value in exchange requires a measure of value and the ability to exchange. Fourth total utility is relevant to ecology.

Water is, however, in short supply in the world today due to the following: at the planetary scale we realized that there can be no shortage of water because we have essentially the same amount of water on the planet today than we had million years back. It is an enormous quantity: 1.39 billion cubic kilometers (331 million cubic miles or some 3.26×10^{20} gallons). The problem, however, is that most of that water is unsuitable for human consumption especially with a global population of 6.7 billion people. About 97% of water is saltwater, leaving only about 3% freshwater. Of all the freshwater available only 1% is surface freshwater. The rest is locked up in the polar ice caps, glaciers, and permanent snow or comprise depletable groundwater. Furthermore, only about 0.036% of the planet's total water supply is found in rivers and lakes and only a small fraction of this is easily accessible.

Furthermore, while the global water supply has remained constant water demand has increased six fold in the last century: increasing at more than twice the growth rate of global population. Right now, nearly 3 billion people live in water scarce conditions (40% of the world's population). The situation is not different in Sub-Saharan Africa where 300 million people have no access to safe water supplies: Approximately 80% of them in rural areas. It can be argued that significantly increasing the coverage of good rural water supplies are fundamental to achieving many of the internationally agreed Millennium Development Goals (MDGs). Lack of safe water will severely affect family health and livelihoods and children's education (IAH Burdon Groundwater Network Factsheet). The inadequate supply of portable water will mean a lot to the world: pervasive poverty, food insecurity, conflict, and morbidity. The lack of clean water and adequate sanitation services kills about 4,500 children per day.

The problem of water in the global world means that water is becoming an important re-

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source apart from oil and gas. Water serves numerous purposes: it is used for human consumption, ecological integrity, manufacturing, and irrigation. The useful nature of water makes it an investment tool for people and businesses in the twenty-first century. Hoffman advocated market-based solutions to the governance of global water resource as early as 1987. His reason for writing this book is best captured in the following statement:

"The dynamics of the water industry are changing rapidly in coincidence with the growing problems inherent in a severe imbalance of supply and demand. Given the natural constraints of the hydrologic cycle and the artificial limitations imposed by the degradation of supplies, it is becoming increasingly apparent that the effective utilization of water resources requires a more productive set of governing institutions."

The set of productive institutions he suggests are best collectively embraced through the market place. Hoffman is of the belief that water pricing mechanisms and the unfettered transferability of water rights, among other market-based solutions, would inevitably lead to equilibrium in the supply and demand for water (Page xi).

The current debate among the water sector stakeholders, organizations, governments and civil society groups centers around water as public good, commodity or resource. The 'right to water' versus 'water rights' is key in the debate. Those against privatization argued that water is a human right.

The human right to water trumps the "invisible hand" of the free market, but, at the same time, elevating water to a human right could paralyze what needs to be done to achieve water resource sustainability and sustainability requires an element of market influence.

Hoffman highlights problems we face when we define water as a commodity. He defines a commodity as 'largely homogenous physical substance that is interchangeable with another product of the same type, traded principally on the basis of a bulk price determined by supply and demand in an open market. Based on this definition it can be argued that water is not a commodity. Hoffman notes 'indeed, at this point in the development of the water industry, it is almost the antithesis of a commodity; treated water is not homogenous (and even raw water is not fungible), there are no substitutes, there are few mechanisms to establish and equilibrium-driven price and there is no spot market for water. Nonetheless, there are many economic forces at work that are driving water into becoming more and more like a commodity.' (P.33).

Hoffman then makes a case for market-based solution to water problems: the transition to a market-based solution started as the institutions set up to deal with water as a public good failed to provide an efficient allocation of the resource. As increase in water use depleted easily developable supplies, more costly additional supplies were sought. As the costs of water increased, water resources became more like other economic products for which there are no supplies, demands and a pricing and marketing structure to balance the supplies and demand. Hoffman suggests more evidence to back his call for market based solutions noting that behind income, the availability of water ranks as the second most critical factor in the survey of 'well-being.'

The water industry is like all other industries that must respond to change. Technological, environmental, social and regulatory changes in the water industry operate to influence the way in which water is provided. As the real price of water rises to reflect the true economic and environmental costs associated with providing it, water utilities will be under substantial political pressure to offset price increases through economic efficiency. As efficiency consideration enters into water pricing, traditional services will be undertaken by new participants seeking to isolate and contain costs. The commoditization of water then will facilitate the unbundling of services within the traditional structure of the water industry. Markets (prices) reconcile the difference between

what is wanted and what is available. Governments reconcile the difference between what is available and what is needed. The former allocates, the latter distributes. (P.38). The author made a very strong argument in his conclusion about the global condition of water: "the sobering nature of the global water condition leads to a horrible and inescapable conclusion: if nothing is done, current death rates traced to water access and water quality will rise dramatically. Millions more will die. What's required to prevent this worst-case scenario is technological, financial and institutional innovation." (P.15).

Hoffman's arguments are that in order to address the problems and to provide investment opportunities in the water industry there should be reconciliation between those arguing in favor of privatization of water and others arguing against water privatization. The problems in the water industry are too enormous and challenging to be left entirely in the hands of the private sector. Water is so precious a resource and fundamental to the survival of humans to be treated the same way as other commodities. Again, the increasing problems in the water industry require that it be partly managed by private hands especially in the case of management of portable water.

The water sector must respond to change. Hoffman argued that technological, environmental, social and regulatory changes that go on in the water sector operate to influence the way water is provided. He said that the real prices of water will rise to reflect the economic and environmental costs associated with providing water. He said economic efficiency methods will then be used by water utilities to offset price increases. When efficiency considerations come in to play in determining water pricing, new participants will enter the water sector who will seek to isolate and contain the costs. The commoditization of water then will provide solutions to these problems. When the private sector is given the role to allocate water which comes with numerous opportunities for investment then the government can play the role of distribution to ensure that everyone have access to a safe and sustainable drinking water.

This book is well written and the arguments well advanced. The author gives evidence and statistics to back his arguments for use of market-based solutions to the management of water. As a balanced account, the author also presents counterarguments made by those who oppose market-based solutions to water problems. The issues raised in the book should be of major concern to all Social Workers because the lack of water translates into so many problems: pervasive poverty, food insecurity, conflict, and morbidity. The problem of the lack of water is even more perverse in Africa. I recommend this book to all Social Workers so that they may become well informed about the problems of lack of water supply and its consequences. The book will also be useful to local, state and federal governments responsible for policy making in the regulation of water and Non-Governmental Organizations (NGOs) and other civil society organizations in developing countries that are involved in advocating for safe and sustainable provision of water to people.

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