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Consolidation as a Compliance Strategy for Small Drinking Water Systems

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ABSTRACT

Where there have been extensive research and policy initiatives to increase the technical, financial, and managerial capacity of small drinking water systems, there has been little research focusing on understanding how consolidation can increase the capacity of small water systems to deliver safe drinking water. The US drinking water system is composed of local monopolies, of which more than 90 percent are classified as "small" by the USEPA. A discrete choice model is employed to determine the characteristics shared by small water systems that are acquired in six midwest states. We find that these acquired firms are smaller, have more frequent drinking water violations, are often privately-owned, and are more likely to purchase their water from another system than water systems that are not acquired. These results suggest that consolidation may be able to increase the rate of regulatory compliance of the drinking water industry.

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