

September 17, 2021 - No. 84

## **Workers Must Control Economic Policy and Economic Outcomes** **Canadian Workers' Pension Monies Used** **to Privatize Water in Brazil**



Protest in Brazil, May 3, 2021, against privatization of water and sewage services.

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## **Workers Must Control Economic Policy and Economic Outcomes** **Canadian Workers' Pension Monies Used** **to Privatize Water in Brazil**

One of the matters of ever greater concern amongst Canadian workers is their lack of control over where their pension monies are invested. These very large pools of money are put into the hands of investment companies, financial institutions and financial oligarchs whose job is to seek the highest return for themselves and sometimes but not always the safest bet, irrespective of where the funds are invested. The workers exercise no control over the fact that investments are done according to neo-liberal considerations and go against everything Canadian workers on the whole stand for. The current term for it is "financialization." It refers to a process whereby financial markets, financial

institutions and financial elites gain greater influence over economic policy and economic outcomes. The process transforms the functioning of economic systems at both the macro and micro levels both at home and abroad in favour of these narrow private interests no matter what harm they cause to the social and natural environment. Under the guise that business is business, very harmful, unacceptable nation-wrecking and anti-people investments are made.



São Paulo, Brazil, June 11, 2021.

Such is the case with the investment made on April 30 of this year of more than \$900 million of Canadian workers' pension money to privatize water and sanitation services in Brazil. A large section of Rio de Janeiro's State Water and Sewage Company (CEDAE) was purchased at auction by a private company 85 per cent owned by the Canada Pension Plan Investment Board (CPPIB) and the Alberta Investment Management Corporation (AIMCo).

CEDAE was the most profitable water system in Brazil, bringing in \$226 million a year, with part of these revenues used to subsidize services in areas where costs were higher.



AIMCo, which says it manages the investments for 32 pensions, endowments and government funds in the Province of Alberta, already possessed a significant stake in Brazil's third largest private water and sewage company, Iguá Saneamento, used to acquire part of the public utility. However it was a last minute infusion of some \$270 million from CPP Investments, giving it 46.7 per cent ownership of Iguá, that was decisive in allowing the company to win the bid for CEDAE.

In preparation for the auction CEDAE was divided into blocks or concessions. The most lucrative concessions were scooped up by private interests, one of these being Iguá. The least profitable ones remained in the hands of the state, likely ending its ability to continue using the profits from some to subsidize others. It will likely also push rates up for users already in the grips of a severe economic crisis. Residents living in areas of Rio already serviced by private companies are said to pay up to 70 per cent more for water than those serviced by the public system.



Opposition by unions and others in Brazil as well as Canada to the privatization of water and sanitation systems was swift. Brazilian unions said 3,500 public sector workers stood to lose their jobs. The Brazilian National Urban Workers Union applied for and won an injunction to delay the auction. State legislators also voted out of concern for it to be delayed. Both of them were overruled by a government decree that ordered the auction to go ahead as scheduled.

The auction took place in the midst of the terrible crisis Brazil was going through thanks to President Jair Bolsonaro's reckless response to the pandemic and the grim consequences of this for Brazilians. It

turns out the timing was likely deliberate. Bolsonaro's former environment minister was secretly recorded urging colleagues at a cabinet meeting to take advantage of the pandemic and of people having other preoccupations to get as many unpopular policies passed as they could, as quickly as they could.

Canadian Union of Public Employees President Mark Hancock accused CPP Investments of helping to legitimate Bolsonaro's privatization agenda, saying "It's outrageous that our public pension plan is using workers' retirement funds to profit from people's need for clean water and safe sewage treatment. These are human rights that are essential for survival. Access to water services is already fragile and unequal in Brazil. Privatization will make things worse."

The handing over of Canadian workers' retirement funds without their consent, and over their objection, to pay the rich through schemes geared to assisting private interests at home and abroad to line their pockets is unacceptable. It is all the more repugnant when it is defended in the name of high ideals to detract from the anti-social and nation-wrecking consequence of the investments.

The facts reveal that workers must control economic policy and economic outcomes. They must set the direction of the economy and end the policies which pay the rich and destroy the social and natural environment.



**Protest at Canadian consulate in Rio de Janeiro, June 2021.**

*(Photos: CUPE, Jonas, SINTSAMA-RJ)*



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## Greenwashing Privatization of Public Utilities

Greenwashing the privatization of public utilities has become the fashion when it comes to self-serving and unethical pay-the-rich schemes by governments and their agencies, including government-run financial institutions and investment companies. A good example is the Canada Pension Plan Investment Board's (CPPIB) greenwashing of its privatization of Rio de Janeiro's public water system, presented as supporting "sustainable projects and clean tech solutions in Brazil."

The Senior Vice President of Infrastructure & Renewable Resources of the Alberta Investment Management Corporation (AIMCo), which collaborated with the CPPIB in the privatization, said the investment management company was "excited" with the outcome of the auction and "for the opportunity to invest further in the business alongside like-minded partners to increase the service levels in water distribution and sanitation in the State of Rio de Janeiro." He called the acquisition, via its holdings in the private water and sewage company Iguá Saneamento, "an excellent addition to our infrastructure portfolio that is well-aligned to meeting our clients' investment objectives."

Does anyone believe that Alberta public sector workers, presumably the clients being referred to, would have as an investment objective for their pension fund the privatization of public services in Brazil or anywhere else?

The Latin America director of the CPPIB, who enthused in a press release about the "new legal framework" established to facilitate the auctioning off of Rio's public water system, was similarly excited about the acquisition which he said would be followed by many more. According to him, the private sanitation sector with its captive market offers the prospect of a consistent and stable payback, and is "perfectly compatible with our expectations, as long-term investors." He added that Iguá was well positioned to be a powerful competitor in most or all future auctions as nearly a thousand Brazilian municipalities were expected to privatize, or seek concessionaires, in the next few years.

Scooping up public utilities as fast as neo-liberal governments in Brazil, Canada and elsewhere put them up for sale is but one of many anti-social projects Canadian workers' pension funds have been used to finance. Investment managers of the funds do their "fiduciary duty" of investing workers' money where prospects of amassing maximum capitalist profit are highest no matter the consequences. Everything can be justified in the name of high ideals and this must change.

It is high time that working people themselves decide where their pension funds should be invested. The direction of the economy should be set by working people, not financial markets, financial institutions and financial elites. Pension funds come from the social wealth that workers produce but do not control. It is this lack of control by the workers, who are the producers, over what is produced and how it is produced that is at the heart of the problem.

The social wealth produced by workers must be reinvested in a socially responsible manner to build a diverse economy at home that has an internal self-reliant strength and trades with others for mutual benefit and development. Such an economy must have the aim to guarantee the rights and well-being of all, and humanize the social and natural environment.



# "Financialization" of Government Pension Programs

In the 1990s the international financial oligarchy and their institutions pushed governments to restructure their pension systems so the funds could be invested in financial markets where it was said higher returns could be obtained than was possible by parking the money in low-risk but more secure instruments like government bonds.

Along with this push to "financialize" pensions came the pressure to convert pensions from defined benefit plans that guarantee a certain level of benefits to workers after they retire, to defined contribution plans, where the level of benefits one receives upon retirement depends on how well the plan is doing in the financial markets and on returns from other types of investments at any given time.

A big reason for these changes, in addition to reducing governments' responsibility to provide for workers' retirement security, was to put at the disposal of the financial oligarchy a vast new pool of money to invest in order to amass even greater private wealth for themselves.

In 1997 the Canada Pension Plan Investment Board was created by federal legislation to operate at arm's length from the government. The mandate of the new entity established as a vehicle for the financialization of the CPP was to exercise its "fiduciary duty" to Canadians by first and foremost maximizing the return on investments made on their behalf. The Alberta Investment Management Corporation, established in 2008, operates in a similar way and under a similar mandate.

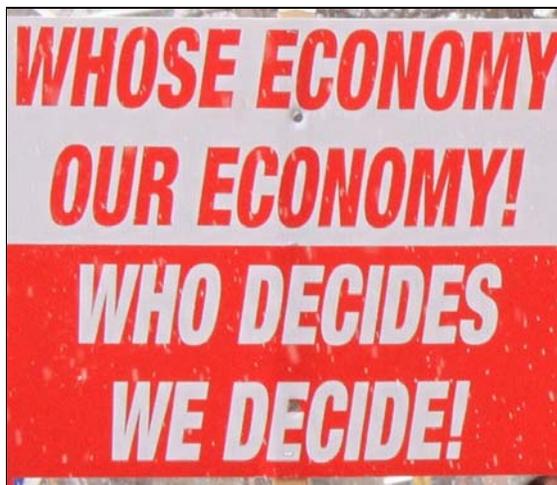


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## BC Government's Sell-Off of Public Lands to Powerful Private Interests

### Corruption to Profit Privileged Buyers

- K.C. Adams -



*Below is Part Two of the series on BC Governments Sell-Off of Public Lands to Powerful Public Interests. Part One appeared in [Workers' Forum](#) September 15.*

The private buyers of BC public property in many cases soon made outsized profits. The following are examples of this profiteering from the legalized corruption of the BC government to pay the rich.

## **Burke Mountain**

In a 2018 report, the BC Auditor General Carol Bellringer noted that the Liberal government sold off 150 hectares of public properties in Coquitlam's Burke Mountain area for \$85 million to a single buyer. This was \$43 million less than the known appraised market value.

In reviewing Bellringer's report, Vaughn Palmer writes in the *Vancouver Sun*, "The Liberals must have known they were unloading the 14 parcels for \$43 million less than they were worth. When they signed off on the sale in February 2014, they had in hand the appraiser's report putting the value at \$128 million. 'The appraisal was timely in relation to the sale of the land,' says Bellringer. 'The quality of the appraisal work was appropriate, and the appraised values for the parcels of land were reasonable.'"

Palmer continues, "Knowing the shortfall, why didn't the Liberals cancel the sale and do a proper one? I'm guessing it was because the transaction, like other land sales at the time, was part of a rush-job effort by the government of then-premier Christy Clark to try to balance the budget.

"The prime beneficiary of the expensive-for-taxpayers transaction involving the Burke Mountain lands, acquiring all 14 properties for two-thirds of the appraised value, was Vancouver-based Wesbild Holdings. In blowing the whistle on the sale to the legislature in the spring of 2015, the then NDP Opposition noted that the company's billionaire founder and chair, Hassan Khosrowshali, was a major donor to the BC Liberals."

## **George Pearson Centre and Dogwood Lodge**

These two public health care facilities on Cambie Street in Vancouver comprised 25 acres. A SkyTrain line, which opened in 2009, runs north-south under Cambie. Onni developers bought both parcels from the government in 2015-16 with plans to build thousands of housing units and commercial spaces.

Onni bought Dogwood Lodge in 2015 for \$85 million and immediately subdivided the land into two lots and began seeking city construction permits. By 2019, the same property, now cleared of buildings, was appraised at \$380 million.

Onni bought Pearson Centre in 2016 for \$217 million and subdivided it into four lots. Officially appraised after its subdivision, the market value of the four lots increased to \$462 million.

Without building anything, Onni turned the \$302 million it paid to the BC government for the public lands of the two health care centres into a total assessed value of \$842 million. This meant a possible profit of \$540 million merely for being privileged recipients of a state-run pay-the-rich scheme. By building on the lots, the return for the Onni oligarchs in control will be even greater.

According to the Elections BC website, the Onni oligarchs gave the BC Liberal Party \$575,000 and the BC NDP \$115,000 between 2005 and 2018.

## **Cottonwood Lands**

The NDP/Green Party coalition government sold the Cottonwood Lands in Maple Ridge, which comprised 11 public properties on 21 hectares (52 acres) for \$20 million in September 2017. Developers Polygon and Morningstar together bought the 11 parcels and subdivided them into 71 lots. The 2019 assessed value of just eight lots of the 71 exceeded the original \$20 million the government received for all 11 parcels. Polygon also bought Steveston Secondary School in Richmond and Coronation Park Elementary School in Coquitlam during the sell-off.

The Elections BC website says the Polygon oligarchs gave the BC Liberal Party \$962,000 and the BC NDP \$87,000 between 2005 and 2018.

## **Moody Centre SkyTrain Station**

Developer Ryan Beedie partnered with others to buy four public properties near the new Moody Centre SkyTrain Station in 2017 and 2018 for a total of \$29 million. The BC Liberal government initiated the sale, which was completed after the BC NDP/Green Party coalition government took power in 2017. Soon after Beedie took possession of the four properties the appraised market value ballooned to \$116 million. Elections BC says Beedie donated \$668,000 to the BC Liberal Party between 2005 and 2018.

The Aquilini Investment cartel, well-known for its ownership of the Vancouver Canucks, during the same 2005-18 period gave \$1.5 million to the BC Liberal Party and \$270,000 to the BC NDP. The Aquilini group partnered with others in 2014 to purchase 40 acres of public property in Burnaby for \$58 million. The property is known as the Willingdon Lands. Even though designated as "surplus," the government, after selling the property which houses several mental health and drug treatment centres, leased it back from the Aquilini group. The rental fee has not been disclosed. By 2018 the appraised market value of the property without any additional development has risen from \$58 million to \$123 million. The Aquilini cartel has submitted a "master plan" for development of the Willingdon Lands, which is now before Burnaby City Council.

Lisa Moore, a principal with the BC auditor general's office told the *Vancouver Sun* that her office was aware of all the donations to the Liberals and the NDP and the involvement of the donors in purchasing public property. She said the donations did not violate the election rules in force at the time.

The BC government changed the rules governing donations to BC political parties in November 2017, banning most donations from companies and unions. The BC public treasury is now the largest source of funds for the three cartel parties in the BC Legislature. The government pays the cartel parties an annual allowance according to the number of votes received in the election. In the two and a half years prior to the 2020 BC election, the government paid out approximately \$16.5-million to the three cartel parties that have members in the legislature.

*To be continued — Part Three: "BC Sold 50 Schools and Educational Land Lots in Six Years and Now Faces a Shortage of K-12 Space"*

*(With files from a Postmedia investigation appearing in the Vancouver Sun, "Sold on your behalf: 164 B.C. schools and hospitals, agricultural and industrial lots worth \$1 billion.")*



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**Website: [www.cpcml.ca](http://www.cpcml.ca) Email: [office@cpcml.ca](mailto:office@cpcml.ca)**