



#13.0 FACTSHEET

WHIDBEY'S WATER MARKET FAILURE

Whidbey Island depends entirely on a single **Sole Source Aquifer**, yet water is delivered through a fragmented patchwork of HOAs, small districts, municipal systems, private wells, and corporate utilities. This structure creates a textbook case of **market failure**: consumers have no choice, providers face no competitive pressure, and the aquifer has no dedicated steward.

This fact sheet explains what a failed market is, how Whidbey's water market is broken, and why public, not-for-profit governance is essential for long-term water security.

What Is a Market Failure?

A market fails when the basic conditions needed for consumers to make rational, informed decisions do not exist. In a functioning market, people can compare providers, evaluate price and quality, and choose the option that best meets their needs.

Whidbey's water system meets every criterion of market failure:

- **No consumer choice** — households cannot switch providers or negotiate rates.
- **No transparency** — pricing, risks, and system conditions are opaque.
- **No competitive pressure** — providers can raise rates or defer maintenance without consequence.
- **No alignment with public good** — water is essential for life, yet the system behaves like a set of isolated monopolies.

Water on Whidbey is not a market. It is a collection of geographic monopolies.

How Whidbey's Water Market Is Broken

Fragmentation

Dozens of independent systems operate without coordination. No entity plans at the scale of the aquifer.

Small System Vulnerability

HOAs and small districts face aging infrastructure, limited rate bases, volunteer boards, and operator shortages. Many are one failure away from crisis.

Corporate Cherry-Picking

Investor-owned utilities acquire profitable systems, raise rates, and remove the strongest districts from any future coordinated governance. Their legal obligation is to maximize shareholder return — not to protect the aquifer or keep water affordable.

No Water Budget

The island cannot answer the most important question: Are we withdrawing more water than nature is recharging?

Rising Emergencies

Boil-water notices, pump failures, and compliance issues are increasing as systems age and capacity declines.

Unprotected Aquifer

No entity is responsible for long-term aquifer health, recharge, or climate resilience. The aquifer is effectively unmanaged.

Why Public, Not-for-Profit Governance Is Essential

Aligns With Aquifer Reality

A Sole Source Aquifer requires island-wide planning, not isolated decision-making.

Keeps Water Affordable

Public systems do not extract profit. Rates cover costs — not shareholder returns.

Supports Small Systems

Shared operators, engineering, compliance, and emergency response strengthen the entire island.

Ensures Transparency and Accountability

Public systems are governed by elected commissioners, open meetings, and public oversight.

Prevents Corporate Takeover

Public systems cannot be sold to private companies. Community control is preserved.

Enables Long-Term Stewardship

Public governance can plan on 50- to 100-year horizons — essential for aquifer protection and climate resilience.

Key Takeaway

Whidbey's water market is not simply imperfect — it is structurally broken. Fragmentation, corporate acquisition, small-system collapse, and the absence of aquifer-scale planning have created a landscape that is inequitable, unsustainable, and dangerous for a Sole Source Aquifer.

Public, not-for-profit governance is not optional. It is the only viable path to affordability, reliability