



WATER COMPANIES AND TRENDS IN EUROPE 2012



By David Hall and Emanuele Lobina

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1. Summary

There have been few major takeovers and mergers in the sector since 2010. Both Suez and Veolia have sold their last remaining water companies in the UK to private equity consortia, which now dominate the water sector in the UK.

The main trend in ownership is towards re-municipalisation.

- Other towns and communes in France are following the example set by Paris in 2010 and re-municipalising water services as private contracts expire.
- The water services in Berlin and Budapest are both in the process of returning to total public ownership.
- The Italian referendum result is leading to new citizen pressures for re-municipalisation, and multinationals deciding to reduce their presence in the country.

However, there is a significant counter-tendency coming from austerity packages in Greece, Portugal and Bulgaria, where water privatisations are part of the planned ways of raising extra income for the state. In Spain, Madrid city council is attempting to privatise the city water company, Canal Isabel II.

The major companies – particularly Veolia - are seeking to develop a new business model based on long-term outsourcing of functions by public sector water companies. This poses dangers for both users and employees, as the cost of the contracts squeezes other spending, creates upward pressure on prices and downward pressure on labour costs as a way of boosting profit margins.

Veolia, in particular, is seeking to influence the EU in order to maximise the business available in terms of this new model, including high levels of spending on treatment and desalination and an acceptance of a core public service underpinned by public finance. Along with other multinationals, it is on a key EU committee looking at ‘resource efficiency’ policies, which will influence the forthcoming EU policy document on water resources, including the possibility of greater trading of water.

The EU has published a new paper on water policy in developing countries, which is less focussed on privatisation than in the past, and it has also allocated funding to support public-public partnerships between European and African public sector water operators.

Beyond Europe, the major companies continue to retreat from Africa, while maintaining their operations in Latin America. The stated policy is to concentrate on engineering BOTs, service and management contracts, in north America, eastern Europe, the middle east and China, but both Suez and Veolia have obtained large contracts in India.

2. Companies

2.1. Categories of internationally active companies

There are three clear groups of companies operating internationally in the water sector in Europe, which are active in different regions.

- The large French companies continue to operate in France, and in Italy, with subsidiaries (or collaborators) in Spain and in central Europe, predominantly the Czech republic, as well as a small presence in EECA. However they are no longer present in the UK.
- Spanish construction multinationals, FCC and Sacyr, are active in Spain and Portugal, and, in the case of FCC, central Europe.
- German and Austrian companies, notably the municipally owned companies Gelsenwasser and Energie AG, hold contracts for private water supply in central Europe, principally the Czech republic.

In addition to these international operators, there are three other categories of private companies in the sector:

- Various private equity companies, which now own most of the private water companies in the UK, and some of the privatised water contracts in EECA, but there is no dominant fund or company.
- companies operating only in their home country. Examples include: the remaining UK companies, such as Severn Trent and United Utilities (which also retains a single international contract, in Estonia) ; semi-privatised Italian companies such as Acea; the Spanish Urbaser (part of ACS); the German companies RWE and Rethmann, for whom water is a relatively small annexe to their main business of energy and/or waste management; and some privately owned companies with contracts in EECA countries.
- Asian multinationals own three of the UK water companies but show no signs of expanding elsewhere in the sector.

Table 1. Groups of water companies in Europe

Group		France, Italy	Iberia (ES,PO)	Central Europe (CZ, HU, PL, SK, DE, AT)	UK	EECA
French multinationals	Suez, Veolia, SAUR	x	x	x		x
Spanish multinationals	FCC, Sacyr		x	x		
German-Austrian municipal companies	Gelsenwasser, Energie AG			x		
Asian multinationals					x	
Private equity					x	x
National-only companies			x	x	x	x

2.2. Veolia

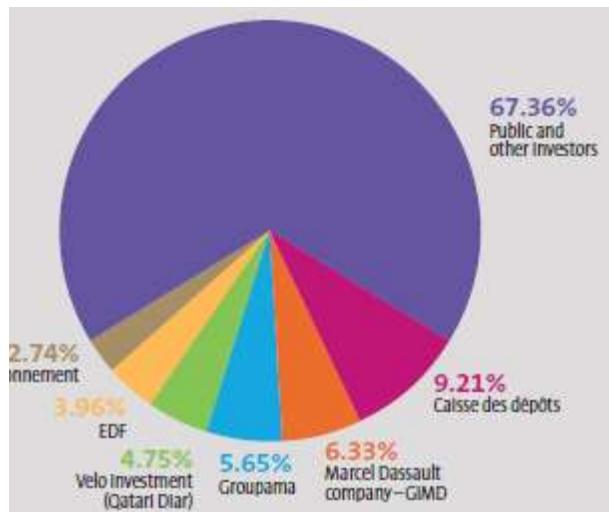
Key documents and sources:

- The most complete version of the Annual Report for 2011: Veolia Report 20F 2011 <http://www.finance.veolia.com/docs/VE-20-F-2011-EN.pdf>
- August 2011 Veolia published a revised strategy in the light of the 2011 results: <http://www.finance.veolia.com/docs/2011-first-half-results.pdf>
- December 2011 Veolia published a further presentation on the company strategy: <http://www.finance.veolia.com/docs/Presentation-Investor-Day-2011-en.pdf>
- Veolia provides detailed information and links on all its water operations in all countries in Europe and elsewhere, at <http://www.veoliawater.com/about/locations/?re>

Veolia operates in water, environmental services, energy services and public transport. It is one of the two leading multinationals in each of these sectors (the other being GDF-Suez). In 2011 Veolia had total sales of \$29.6 billion.

It is 9.21% owned by the state financial group Caisse des dépôts, and 3.96% owned by EdF, which is itself 85% state-owned.

Chart A. Ownership of Veolia shares 2012



The water and environmental services divisions are wholly owned by Veolia in Europe and north America, but outside western Europe and North America they also have other shareholders.

- In Latin America, the water and waste operations are conducted by Proactiva, which is 50-50 owned by Veolia and the Spanish group FCC (which was itself partly owned by Veolia in the early 2000s; and in January 2010 the majority owner of FCC, Esther Koplowitz, was re-appointed to the board of Veolia).
¹
- In eastern Europe and central Asia, the water business is carried out through Veolia Voda, over 25% of which is owned by international development banks (16% by EBRD and 9% by IFC)^{2 3}
- The water and waste business in Africa and Asia is carried out through Veolia AMI, nearly 20% of which is owned by development financial institutions (13.9% by IFC and 5.6% by France's Proparco)⁴

Dalkia, the energy services division of Veolia, is a 66-34 joint venture with EDF (which is itself 85% owned by the French government), and EdF owns in addition 25% of Dalkia International. The international operations of Dalkia are thus effectively a 50-50 joint venture between Veolia and EdF.

2.2.1. Veolia: general strategy

In 2011 Veolia wrote off €818million, and continued to carry high debt. Veolia is trying to deal with this through cutting costs and restructuring the company. This includes:

- Selling €5billion worth of subsidiaries in order to reduce debt.
- Withdrawal from transport services, so that the business is reduced to three core services
- Reducing its international spread by reducing the number of countries in which it operates from 77 to less than 40
- Specifically, to reduce its presence in southern Europe (especially Italy) and North Africa

¹ Esther Koplowitz is appointed to the Board of Directors of Veolia Environnement Veolia PR 13 Jan 2010 <http://www.veolia.com/en/médias/press-releases/esther-koplowitz.htm>

² <http://www.veoliawater.com/media/news/2007-11-26.veolia-voda-berd.htm> ; <http://www.ebrd.com/search/cs.html?url=http%3A//www.ebrd.com/downloads/board/091125.pdf&charset=utf-8&qt=veolia&col=&n=4&la=en>

³ Veolia <http://www.finance.veolia.com/docs/Operating-and-Financial-Review-June-2010-def-sans-mark-up.pdf> ; IFC <http://www.ifc.org/ifcext/media.nsf/content/SelectedPressRelease?OpenDocument&UNID=80FBA1D1C466866085257737005B9ABF>

⁴ The International Financial Corporation (IFC) and Proparco invest in Veolia Water AMI http://www.afd.fr/jahia/Jahia/site/proparco/lang/en/Accueil_PROPARCO/Publications-Proparco/News_PROPARCO/pid/4749

In 2012 it carried out further sales of major parts of its business:

- Veolia has sold its water companies in England to a private equity consortium for €1.5 billion Euros.
- Veolia has sold its waste companies in the US for €1.9 billion Euros.
- Veolia is in the process of selling its 50% stake in Transdev, its transport division.
- Veolia is also planning to sell its 25% stake in Berlinwasser, after the exit of RWE.⁵

In 2010 and 2011 it sold its building cleaning and services operation, Veolia Proprete Nettoyage et Multiservices, to the French group TFN, which has now renamed itself Atalia; it has sold the USA waste to energy plants of Montenay International, to Covanta; it has sold the UK facilities management business of its energy services division, Dalkia , to Mitie; and sold Veolia Cargo.

2.2.2. Veolia: water trends in Europe 2012

Veolia has reduced its business in western European countries, but may expand in eastern countries:

- In France, Veolia has lost some major contracts, including the concession for Paris in 2010. It did retain the larger concession for the Ile de France region but the terms of the new contract were tougher and so company revenues are lower. It has also faced a wave of strikes in France: 15000 workers in the water sector won hundreds of Euros after a strike lasting 5 days in June 2012, and in September 2012 workers at the company's national call centre were also on strike for higher pay.⁶
- In the UK, it has sold its water supply companies in the UK, but has retained its business as a contractor providing support and operations services to the main water companies. It bought the contracting section of United Utilities in 2010.
- In Germany, it plans to sell its stake in Berlinwasser
- In Italy, it has written off €520 million in total, of which €75.5million was in the water division, as a result of the referendum vote against water privatisation, and because the contract in Calabria was terminated, and
- In Netherlands, it sold 29% of its 40%stake in the Rotterdam wastewater treatment plant Delfluent to the Dutch municipal company Evides.
- In Portugal, it has written off €11.2 million in its water operations
- Its activities in eastern Europe have increased significantly since it bought the subsidiaries of United Utilities in Bulgaria and Poland, and it also expects to expand further eastwards with the financial support of the EBRD (see below). It now operates in Bulgaria, Hungary, Poland, Romania, Slovakia, Czech Republic, Turkey, Russia and Armenia.

2.2.3. Veolia: water trends in rest of world 2012

- In the USA, its water contract in Indianapolis was terminated in 2011.⁷
- In Middle East and Asia, with the exception of China and India, its operations are now largely confined to BOT and management contracts for water and wastewater treatment plants.
 - In Australia, its water concession in Adelaide expired and was not renewed in 2010 (but it was not remunicipalised: in 2011 it was awarded to Suez)⁸

⁵ La Tribune.fr Jeudi 19 Juillet 2012 Veolia cède une de ses filiales américaines pour 1,55 milliard d'euros

⁶ Des avancées chez Veolia Eau L'Humanité, Lundi 25 Juin 2012, CUISINE, 162 mots ; Paris-Normandie, Jeudi 6 Septembre 2012, ROUEN; Pg. 7, 153 mots

⁷ Veolia Report 20F 2011 <http://www.finance.veolia.com/docs/VE-20-F-2011-EN.pdf>

⁸ Veolia Report 20F 2011 <http://www.finance.veolia.com/docs/VE-20-F-2011-EN.pdf>

- In India, contrary to its stated policy of reducing the number of countries in which it operates, and reducing its traditional concessions business, in March 2012 Veolia started a new 25 year lease contract in Nagpur (2.5 million population), with an estimated revenues for Veolia of €387million. The contract involves €60million investment, 70% of which is financed by the Government of India, so Veolia only has to find €18 million. However from the start, the company was penalised for failing to invest as required by the contract, and in July for supplying polluted water:
 - “areas in East and North Nagpur were supplied turbid water from Kanhan for consecutive two days.....the quality of water supplied on those two days-June 19 and 20-was highly polluted....a senior official said the matter was very serious as water looked yellowish colour on June 20. "There was no chemist on June 19 night at Kanhan Therefore, notice was issued asking why action should not be taken against the company. The company in its reply admitted the fault and said that the situation was out of control due to release of water from Kamptee Khairi reservoir in Kanhan river.....[a local politician] Abha Pande said situation was very unfortunate. "Supply of such water causes water-borne diseases like jaundice. Private operator was roped in to improve quality and quantity of water. But it is doing exactly the reverse. It was said it's French partner Veolia was most experienced in water sector. It's failure to maintain quality of water is shocking. Proper enquiry should be done and followed by action," she demanded.”⁹
- In China, Veolia had revenue of €780million Euros in 2011, and employs about 13,000 people. Its return on capital employed was less than 3%, however.¹⁰ It has full water supply concessions in:
 - Pudong (Shanghai) 50 years
 - Changzhou (near Shanghai) 49% Veolia, management contract
 - Shenzhen 45% Veolia, 50 years, 2,300 employees, covering 11.7million people
 - Kunming (Yunnan province) 30 years
 - Liuzhou (Guanxi province)
 - Haikou (Hainan province) 1,950 employees

It also has BOT contracts and industrial contracts in Chengdu, Zuhai, Lugouqiao (Beijing), Qingdao, Hohhot, Lanzhou, Tianjin.¹¹

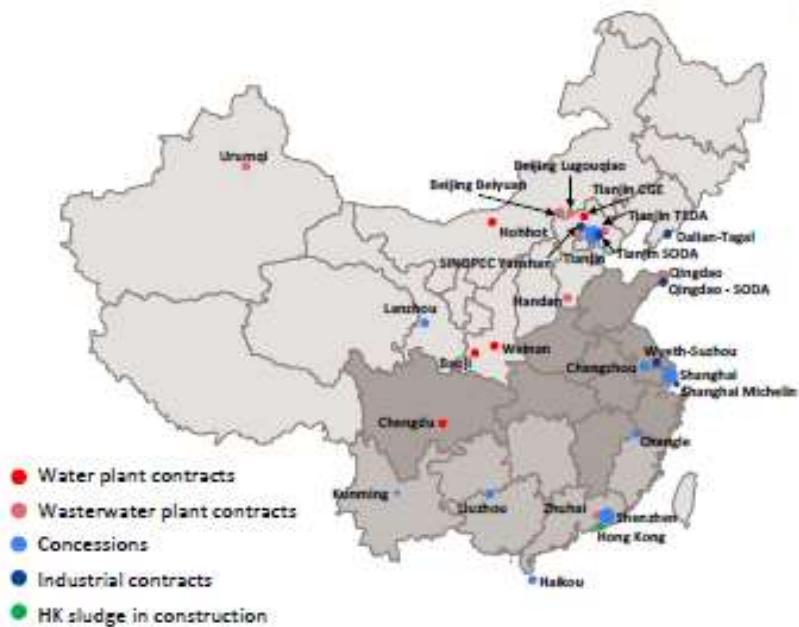
Chart B. Veolia water in China 2012

⁹ <http://www.veoliawater.com/media/news/2012-03-13.india-public-private-partnership.htm> ; NMC slaps notice on Orange City Water for turbid water supply Jul 14, 2012

http://articles.timesofindia.indiatimes.com/2012-07-14/nagpur/32674580_1_ocwl-turbidity-nagpur-environmental-services-limited

¹⁰ <http://www.veoliawater.cn/en/>

¹¹ <http://www.veoliawater.cn/en/veolia-water-china/contracts/>



- In Africa, none of its water businesses are likely to last much longer, and Veolia is already resigned to losing most of them.
 - In Morocco, Veolia has written off €59million because of the unfavourable audit report on its water contracts in Tangiers (where it was fined €4,9million Euros in 2011), Tetouan and Rabat, where there have been campaigns since 2010 led by ‘Coordination locale de lutte contre la vie chère’, which includes 24 political, community and trade union organisations. In Rabat, a similar campaign of community and union organisations accused Veolia’s subsidiary Redal of excessive pricing and underinvestment, and pointed out that “Comparative studies in several Moroccan cities show that prices are systematically higher under privatisation....”¹². Veolia has been affected in north Africa in other sectors as well. It lost its waste management contract in Alexandria in 2011, and it has lost a transport contract in Morocco.¹³
 - In Gabon, it owns 51% of Societe d'Energie et d'Eau de Gabon (SEEG), which runs the water and energy services for the country under a 20 year concession which is due to last until 2017. However the contracts is going badly: Veolia tried, unsuccessfully, to sell its stake in 2010, and the government – which in 2011 partly renationalised the telecoms company may want to do the same with SEEG:
 - “Veolia's subsidiary Societe d'Energie et d'Eau de Gabon (SEEG) is back on less than amiable terms with the Gabonese State. SEEG claims there are no officials to talk to in the Gabonese administration, unpaid bills are piling up, the government is not going ahead with scheduled investments and the mood is generally one of discouragement - as if Libreville were dropping heavy hints that it wanted Veolia to give up the contract.”¹⁴
 - In Niger, where it has a 10-year contract for water supply, there is also political pressure against the company, again as a result of more democratic election results: “...rising anger over water prices in Niger have led the main workers union, the Democratic Confederation of Workers of Niger (CTDN), to call for the cancellation of the contract of French water company Veolia, which currently operates as the main water management service provider

¹² Water, electricity and the political context in Arab countries 2011 <http://www.psiru.org/sites/default/files/2011-09-WE-Arab.docx>

¹³ Veolia Report 20F 2011 <http://www.finance.veolia.com/docs/VE-20-F-2011-EN.pdf>

¹⁴ West Africa Newsletter March 15, 2012 Veolia cold-shouldered by Gabon

in the country. Present in the country since 2001, Veolia operates locally through Société d'Exploitation des Eaux du Niger(SEEN) and has come under fire recently over the rising prices of water in Niger. The CTDN is urging the government not to renew Veolia's contract, which expired in May 2011, and instead nationalise the water management industry in an effort to control prices. In a statement in a local newspaper cited by Reuters, the CTDN calls the recent price hike "unacceptable" and demanded that SEEN's contract not be renewed "so as not to provoke any social problems".The change in government this year has thrown the contracts of many companies operating in the country under scrutiny. Most of these were signed under the previous regime of Mamadou Tandja, around which there is growing suspicion of corruption and graft that has resulted in the investigations of 23 former members of that government, including the former head of the state electricity company, NIGELEC. The newly installed government of President Mahamadou Issoufou has vowed to stamp out corruption, and may not renew some contracts with foreign multi-nationals, especially if they are perceived to be the result of cronyism or otherwise lacking in transparency.”¹⁵

2.2.4. Veolia: water strategy

In its strategy presentation in December 2011 Veolia divided its plans for the water business into three parts.¹⁶

The first and main part of the business is still traditional water concessions and lease contracts, which represent 59% of Veolia's business. The problem is that these demand high levels of capital expenditure, and they are under pressure from remunicipalisations and renegotiations, with contracts for over 22% of their business in France expiring in the next 3 years. In response, Veolia:

- is centralising and standardising its business in France to make annual savings of €150million.
- has sold its UK operations, plans to sell its operations in southern Europe (Italy and Portugal) and may sell its stake in Berlinwasser
- wants to retain its current operations and look to expand in central and eastern Europe, where it has “high margins” – return on capital was about 16% before the crisis and is expected to return to that level by 2014).
- It will continue to expand its business in China in long-term concessions and BOTs, although its return on capital is only 3% at present

The second part of Veolia's business consists of service contracts to public sector water companies. These are long-term outsourced contracts to Veolia to carry out specific tasks such as billing or operations management, but do not involve any capital expenditure by Veolia. They are a way for Veolia to get guaranteed business from a public service. Veolia gives as an example a 30 year contract in Winnipeg for ‘operation and capital project management for all wastewater facilities’ in Winnipeg, which it describes as a ‘very low risk profile contract’. Such contracts do involve privatisation of the jobs that would otherwise remain with the public sector water service if these functions were carried out directly. Veolia sees considerable potential for growth in these contracts worldwide.

These contracts are potentially damaging for both workers and users as

- (a) they give Veolia a long-term claim on part of the income of the water service, which may grow and become difficult to dislodge
- (b) water workers are at the risk of being outsourced, or subject to management decisions by Veolia even if they remain public sector employees
- (c) the contract is a long-term drain on the resources of the public service.

The third part of the business consist of services to industry, which Veolia sees as a growth area both in the short and medium term. This consists mainly of managing the waste, wastewater and pollution of companies

¹⁵ Global Insight August 19, 2011 Nigerien Unions Call for Expulsion of French Water Company over Rising Prices

¹⁶ Veolia Investor Day Dec 2011 <http://www.finance.veolia.com/docs/Presentation-Investor-Day-2011-en.pdf>

in sectors such as oil, mining, food and drink, and cosmetics. The customers are multinational companies wherever they operate, so much of this work is in developing countries.

Table 2. Veolia sales revenue 2011

(€ million)	France	Germany	United Kingdom	Central and Eastern Europe	Other European countries	United States	Oceania	Asia	Middle East	Rest of the world	Total
Water	4,560.1	1,519.3	811.6	1,066.1	775.7	743.0	238.6	1,573.3	281.0	1,048.4	12,617.1
Waste services	3,384.2	1,210.2	1,626.0	309.7	568.6	1,230.3	704.6	237.8	105.1	363.7	9,740.2
Energy Services	3,515.1	9.5	194.2	1,414.1	1,401.4	314.0	49.8	100.6	93.4	197.9	7,290.0
TOTAL	11,459.4	2,739.0	2,631.8	2,789.9	2,745.7	2,287.3	993.0	1,911.7	479.5	1,610.0	29,647.3

Source: Veolia Report 20F 2011 <http://www.finance.veolia.com/docs/VE-20-F-2011-EN.pdf>

Table 3. Veolia employees 2011

Area	Water	Environmental Services	Energy Services	Transportation	TOTAL	%
Europe	57,832	52,629	37,110	77,910	228,179	68.88%
<i>Of which France</i>	26,937	23,569	13,688	38,607	105,499	31.85%
North America	3,563	9,062	700	17,375	30,700	9.27%
South America	6,743	7,395	7,865	1,212	23,215	7.00%
Africa/ Middle East	8,761	2,670	2,125	971	14,527	4.39%
Asia/Pacific	19,752	5,665	4,898	4,330	34,645	10.46%
TOTAL	96,651	77,421	52,698	101,798	331,266	100%
%	29%	24%	16%	31%	100%	

Source: Veolia Report 20F 2011 <http://www.finance.veolia.com/docs/VE-20-F-2011-EN.pdf>

Notes: 1. The Proactiva workforce (12,031 people) has been broken down according to the activities of the companies concerned, between Water (4,961 people) and Environmental Services (7,070 people). 2. For France, the figure includes 2,698 people working at the departments of our headquarters

Table 4. Veolia subsidiaries in water in Europe 2012

Country	Company	Owns%	Website	Employees	Year of info	Locations
Armenia	Yerevan Djur	100	http://www.veoliadjur.am/en/	1263	2011	
Belgium	Aquiris	100	http://www.aquiris.be/	100	2011	
Bulgaria	Sofiiska Voda	75	www.sofiyavoda.bg	1100	2011	Sofia
Czech Republic	Veolia Voda	var	http://www.veoliavoda.cz/	5600	2011	Includes Veolia Voda, Pražské Vodovody a Kanalizace, a.s. (PVK), Severočeské Vodovody A Kanalizace (SCVK). See map.
France	Veolia Eau	100	www.veoliaeau.com	26937	2011	
Germany	Veolia Wasser	var	http://www.veoliawasser.de/	7800 (3100 excluding Berlin)	2011	Includes MHWA, MIDEWA, OEWA, OTWA, stadtwerke Görlitz, Pulheim, Springe, Thale, TVF Waste Solutions. See map.
Hungary	Veolia Viz	var	http://www.veoliawater.com/about/locations/hungary.htm	2000	2011	Includes Fovarosi Csatornazasi Muvek Reszvenytarsag Budapest (25%) www.fcsmt.hu/ , Szegedi Vizmu (49%) www.szegedivizmu.hu/

Country	Company	Ow ns%	Website	Employ ees	Year of info	Locations
Italy	Veolia Acqua	var	http://www.veoliaacqua.it/			Includes Acqualatina , Sagidep , Società dell'Acqua Potabile , Sicea , Geal , Sorical , Siciliacque , Siba ,
Poland	Veolia Woda	var	http://www.veoliawoda.pl/	745	2011	Includes PWIK
Portugal	Veolia Água		http://www.veoliaagua.com.pt/	368	2011	Mafra, Ourem, Valongo, Paredes
Romania	Apa Nova	var	www.apanovabucuresti.ro/	3000	2011	Bucharest, Ploesti
Russia	Veolai Voda		www.veoliavoda.ru	-		None
Slovakia	Veolia Voda		www.pvpsas.sk , www.stvps.sk	2000	2011	Banska Bystrica, Poprad
Turkey	Veolia Su		www.veoliasu.com		2011	Cesme and Alacati
UK	Veolia Water Outsourcing	100 %	http://www.veoliawater.co.uk	>1000	2012	None, but contract services
USA						

Chart C. Veolia water: Czech republic



Chart D. Veolia water: Germany



2.3. Suez Environment - part of GdfSuez

Suez Environnement <http://www.suez-environnement.com>, consisting of the water and waste divisions of Suez, was spun off as a separate company in 2008. It is 35.7% owned by Gdf-Suez, the company formed by the merger of Suez' energy division with Gdf. Gdf is itself 35.7% owned by the French state.

In 2011 it had total sales of €14.8 billion – 28% (€4.2 billion) from water in Europe, 44% from waste in Europe, and 28% from activities outside Europe.¹⁷

Suez remains one of the two dominant water companies in France, with a significant presence in Spain, through Aguas de Barcelona and its subsidiaries; in Italy, through contracts in 5 municipalities - Arezzo, Florence, Pisa, Sienna and Montecatini Terme – and a 6.7% stake in Acea; in Greece, it has a 5.46% holding in Eyath, which runs water in Thessaloniki; and in Czech republic and Slovakia, through concessions established in the 1990s.

However it is withdrawing or being forced out of three European countries where it had major business:

- In 2011 it sold its German subsidiary Eurawasser to the german waste management group Remondis.
- In 2012 it sold the majority (70%) of its stake in Bristol Water (UK)
- In Hungary it has sold its stake in Budapest water, and has lost its contracts in Pecs and Kaposvar

Outside Europe, Suez has significant business in the USA through United Water, with USD \$887million of business from a mixture of operating concessions and service contracts: it has expanded the latter following the takeover of Utility Service Group (USG) in 2008. The company was subject to court cases and complaints to the OECD for tampering with the results of bacteria tests, and to lengthy disputes over pay which involved international union support from EPSU and PSI for the union (UWUA), which helped achieve better pay settlements.¹⁸

Apart from a small operation in Mexico, its business in Latin America consists only of Agbar's activities (see below).

In China, it retains its concession in Macau which dates back to 1993, and it also has some other operating business through Sino-French Holdings, and more BOT engineering and services work.

¹⁷ Suez Doc de Reference 2009 http://www.suez-environnement.com/document/?f=profile/en/ddr_se_2009_en.pdf

¹⁸ <http://www.epsu.org/a/7703>; Utility Workers to Sponsor Plane Banner over Super Bowl Publicizing United Water Criminal Indictment PR Newswire, February 3, 2012 Friday 8:39 PM EST, 498 words

In Australia, Suez has obtained some profitable desalination BOTs, and other major contracts, but also had expensive problems:

- It has gained a 10-year contract to run water services for Adelaide, worth €840million over 10 years, a contract which had previously been held by Veolia

It has a contract to operate and maintain water production and wastewater treatment plants in Perth, worth €294million over 10 years. However, Suez was forced to write off a total of €237million because of delays, cost overruns and disputes at its desalination plant in Melbourne, Victoria.¹⁹

Suez withdrew from much of its activity in developing countries from 2003 onwards. Its few remaining activities are under pressure:

- in Jakarta, Indonesia, where its 51% owned subsidiary Palyja faces a strong public campaign for termination
- in Casablanca, Morocco, where its concession in (Lydec) has been criticised by auditors as well as consumers²⁰

In contrast to Veolia, Suez claims that private water supply is growing globally, but in practice it is adopting a similar strategy - of expanding through BOTs for treatment or desalination plants; management or service contracts for public water companies; and services to industrial companies - while its traditional concessions and lease contracts are eroded.

Chart E. Suez revenues by region 2011

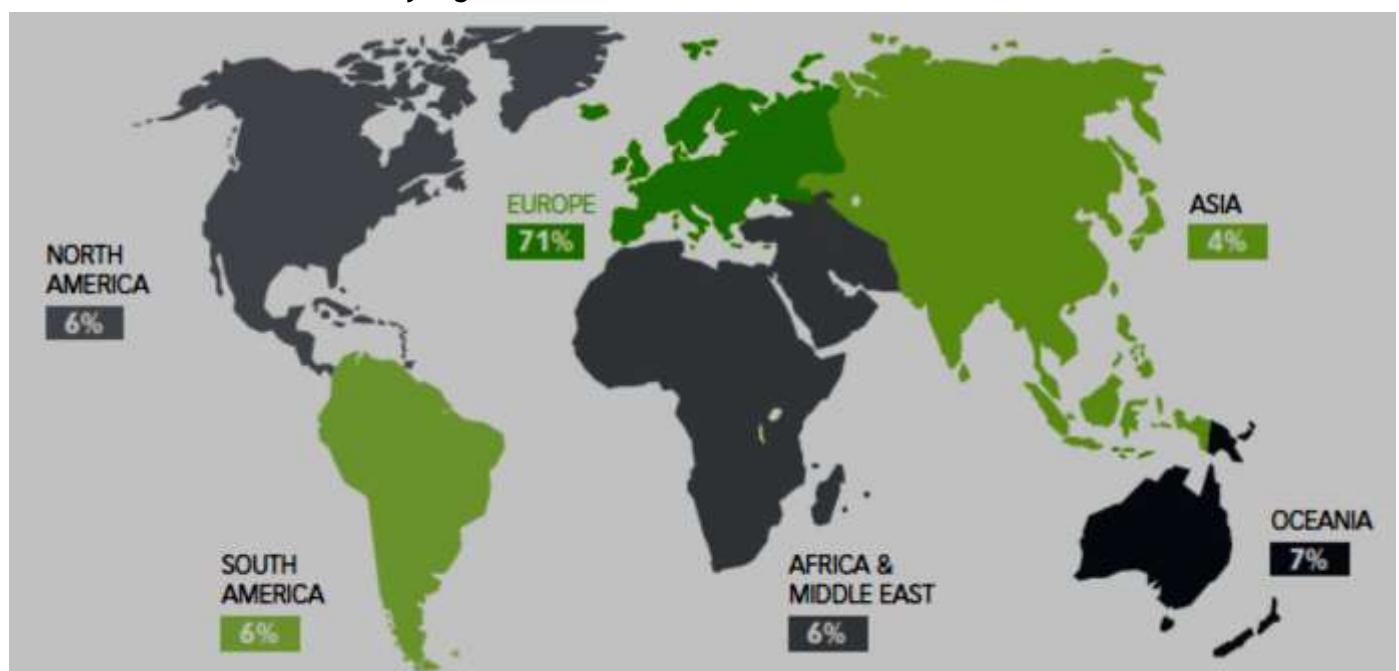


Table 5. Suez revenues (sales) and operating income (profits) by segment 2011
(\$million Euros)

Segment	Revenues	Operating income
Water Europe	4206	608
Waste Europe	6417	388
International	4197	131
Other	10	(-87)

¹⁹ <http://www.globalwaterintel.com/archive/13/2/need-to-know/melbourne-legacy.html>

<http://www.socialistpartyaustralia.org/archives/4534>

²⁰ Suez Doc de Reference 2011 <http://www.suez-environnement.com/wp-content/uploads/2012/04/DDR-SEC-2011-Version-anglaise-d%C3%A9finitive.pdf>

TOTAL	14830	1039
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Source: Suez Reference Document 2011 p. 111, 113 <http://www.suez-environnement.com/wp-content/uploads/2012/04/DDR-SEC-2011-Version-anglaise-d%C3%A9finitive.pdf>

Table 6. Suez Environnement: Employees by region (waste & water) 2011

	2009
France	35,654
Rest of Europe	31,141
North America	3,362
Latin America	238
Africa-Middle East	5,137
Asia-Oceania	4,878
TOTAL	80,410

Source: Suez Reference Document 2011 p. 160 <http://www.suez-environnement.com/wp-content/uploads/2012/04/DDR-SEC-2011-Version-anglaise-d%C3%A9finitive.pdf>

Table 7. Suez subsidiaries in water in Europe

Country	Company	Owner ship	Website	Employe es	Contact
Czech Republic	Ostrava VaK	44.49%	www.ovak.cz	450	info@ovak.cz
Czech Republic	SPVS	82%	www.spvs.cz	200	
Czech Republic	VAK Brno	46%	www.bvk.cz	593	
Czech Republic	VaK Karlovy Vary	49.8%	www.vakkv.cz	523	
Czech Republic	VAS Brno	33.35%	www.vastd.cz	1200	
Czech Republic	VHS Benesov	100%	www.vhs-sro.cz	160	
France	Lyonnaise des Eaux France	100%	www.lyonnaise-des-eaux.fr	8341	
Greece	Eyath	5.3%			Thessaloniki
Italy	Acque SpA	5.4%	www.acque.net		
Italy	Acque Toscane	70%	www.acquetoscane.it		
Italy	Acquedotto del Fiora	40%	www.fiora.it		
Italy	Nuove Acque	46%	www.nuoveacque.it	200	Arezzo
Italy	Publiacqua	40%	www.publiacqua.it	635	
Slovakia	Trencianska spoločnosť, TVS	51%	www.tvs.sk		
Spain	Aguas de Barcelona	75%	www.agbar.es	20360 (all sectors)	
Spain	Aguas de Valencia	33	www.aguasdevalencia.es		
UK	Bristol Water	30%	www.bristolwater.co.uk	399	

2.3.1. Aguas de Barcelona

Suez Environnement now owns 75% of the shares of Aguas de Barcelona (AgBar), with the remaining shares held by the bank Criteria (formerly La Caixa). This gives Suez full control of AgBar, and AgBar is no longer listed on the stock exchange. The accounts and data of Suez shown above, now include 100% of the activities of Agbar consolidated as part of Suez.

It is the largest private water company in Spain. The 33% stake in Aguas de Valencia, bought under Suez' name in 2007, is now part of Agbar.

Its main remaining presence in Latin America is in Chile. It sold 49.9% of its major Chilean subsidiary, Aguas Andinas, to local investors through the stock exchange, but expanded through the purchase of Essal. It has exited from its former contracts in Brazil, Uruguay and most of those in Argentina, but remains active in Colombia, Cuba and Mexico, and Peru.. Agbar agreed the sale of its stake in the Cartagena contract in Colombia in 2005, but the sale was vetoed by the municipality.

2.4. SAUR

SAUR (www.saur.fr) is the third largest private water company in France. It has water services operations in Spain, Poland, Armenia and Saudi Arabia; contracts for water and wastewater treatment plants in Algeria, Cyprus, Scotland, and Senegal; and in France it also operates in water engineering (through subsidiary Stéreau) and waste services (through subsidiary Coved).

SAUR is 38% owned by the state Fonds Stratégique d'Investissement (FSI), which is itself jointly owned by Caisse des dépôts et consignations (CDC) and the French state; 33% by Séché Environnement (which is also 20% owned by FSI); 17% by Axa private equity; and 12% by Cube Infrastructures, a private equity arm of Nataxis. Séché Environnement (www.groupe-seche.com) had an option to buy a further 18% before May 2012, and thus take a controlling share. However, it was unable to raise the money to do so. In May 2012 FSI, supported by Axa and Cube, decided to appoint Michel Bleitrach to replace Joel Séché as president of HIME (the formal name of the holding company of SAUR). Séché retains its 33% shareholding.²¹

SAUR was for many years owned by the construction company Bouygues (for a period EdF also held a significant stake). Bouygues then sold the majority of SAUR's operations to PAI – the private equity arm of French bank Paribas - in a “leveraged acquisition”, except for the African and Italian operations, which remain owned by Bouygues. PAI then planned to sell SAUR to Macquarie, but France's Association of Mayors expressed serious reservations at the prospect of a foreign bank managing public sector concessions. The French state investment fund Caisse des dépôts et consignations (CDC) then created a consortium with the French waste management and waste transport specialist Séché Environnement and infrastructure investment vehicle AXA IM, and in April 2007 this consortium bought SAUR for €2.3 billion, which represented a very good profit for PAI which had paid Bouygues only €1 billion for SAUR 3 years earlier. The CDC shares are now held by the FSI.

In 2011 it had sales of €1,646 million, of which €1,305 was in the water and water engineering sectors, and employed 10,630 people, of which 6900 were employed in water services in France.

- In Poland, SAUR owns 51% of SAUR-Neptun-Gdansk, the other 49% being owned by the city council. The company has held the water concession in Gdansk for 20 years, since 1992
- In Spain, SAUR owns 33% of Emalsa, the water company for Las Palmas in the Canary Islands, and also operates in other cities through Gestagua. It no longer owns any stake in Aguas de Valencia, which it sold to Suez in 2007.
- It had a management contract with the state-owned Armenian Water and Sewerage Company, covering the country outside the capital Yerevan, which has been extended to 2012.

Apart from engineering contracts, the only other international water service business beyond Europe is in Saudi Arabia, where SAUR has management contracts for water services in Mecca. It has sold other activities: in Argentina, SAUR held a 32% stake in OSM which held the water concession in Mendoza, Argentina, which was terminated, and SAUR in April 2007 announced that it was dropping its ICSID claim and abandoning the concession. It also sold its 50% stake in the Chinese company Fengxian by 2006.²²

Table 8. SAUR subsidiaries in water in Europe

Country	Company	% own ed	Website	Employees	Contracts

²¹ Capital Finance 26 mars 2007 Le printemps des sorties ; Utility Week 30 March 2007 ;

http://www.saur.fr/images/vie_groupe/Press_release_M_Bleitrach.pdf ; Le Monde 26 avril 2012 jeudi Les actionnaires de la Saur organisent l'éviction de son président, Joël Séché

²² Business News Americas – English April 9, 2007: **Saur** to terminate OSM concession contract

France	SAUR	100	www.saur.fr , www.groupe-seche.com	6900 (2010)	
	Stereau	100	www.stereau.fr	277 (2004)	Water engineering
Spain	Emalsa	33	www.emalsa.es	314(2011)	Las Palmas
	Gestagua		www.gestagua.es	400 (2011)	
Poland	SAUR-Neptun-Gdansk	51	www.sng.com.pl	578(2010)	Gdansk
Armenia	Armenian Water and Sewerage Company	0	http://www.armwater.am	0	(management contract)

2.5. FCC/Aqualia

FCC is a long-established Spanish construction, urban services, and cement group. For a few years it became de facto controlled by Veolia, but Veolia sold its shares in FCC in 2004. It is also active in other infrastructure operations, including roads and motorways and airports. (<http://www.fcc.es>) The environmental services division includes waste management and water. It expanded by acquisition in 2006, with major purchases including Austrian waste company ASA, UK waste company WRG, and Czech water company SMVAK.

In 2011 environmental services generated one-third of the revenues of FCC, more than half the profits, and more than half the employees. But only 8727 out of 46292 were on permanent contracts.²³

Table 9. FCC water and waste business 2011 (€millions)

			Revenue			Profit (EBITDA)	Employees
			Spain	International	Total	Total	Total
Total FCC			5592	6163	11755	1252	91,291
<i>of which:</i>	Environmental services		2321	1414	3735	698	49,345
	<i>of which:</i>	Environment (waste management)	1493	1078	2571		
		Water	668	177	845		
		Industrial waste	159	159	318		

Source: FCC Annual Report 2011
<http://www.fcc.es/fccweb/wcm/idc/groups/public/documents/document/mdaw/mdi3/~edisp/cscp039605.pdf>

FCC claims it is now the largest Spanish water operator, with 34% of the privatised water market. It employs over 7000 employees in over 850 cities and towns. Its list of contracts includes Almería, Ávila, Badajoz, Jaén, Lleida, Oviedo, Puerto de la Cruz (Tenerife), Salamanca, Santander, Vigo. Aqualia also owns a stake (along with Valoriza/Sacyr Vallehermoso, see below) in the contract at Alcalá de Henares, near Madrid, which was the subject of massive protest and criticism when the privatisation took place in 2004.

Outside Spain, the largest operation is the Czech water company Severomoravské Vodovody a Kanalizace Ostrava (SmVaK), the third largest in the Czech Republic, serving 737,000 people. This was bought by FCC in 2006; it was originally privatised in the early 1990s, and has been previously owned by Anglian Water, Suez, and a Slovak private equity company, Penta. SmVaK has expanded within the Czech republic by taking over services for more municipalities, but it does not have any subsidiaries or operating contracts outside the Czech republic. It does sell bulk water to some Polish municipalities in the area adjacent to the

²³ <http://www.fcc.es/fccweb/wcm/idc/groups/public/documents/document/mdaw/mddy/~edisp/cscp046016.pdf> p.458

border: this was part of the company's commercial response to a continued decline in water consumption. In 2009 Aqualia set up a new subsidiary, Aqualia New Europe, as a joint venture between FCC and the EBRD, each owning 50% of the shares. It has obtained treatment plant contracts in Montenegro and Romania.²⁴

Aqualia also operates in Italy (a concession in Caltanissetta, Sicilia); and in Portugal (contracts covering 5 municipalities). Aqualia also has treatment plant contracts in Algeria (2 desalination plants) China (wastewater treatment plant in Benhu, Anhui province), Egypt – a new contract in 2010, for a large wastewater treatment plant in new Cairo, Mexico, Chile.

The activities of FCC/Aqualia in Latin America are covered below, under Proactiva.

The list of contracts on Aqualia's own website includes:

- Abrantes (Portugal). Desde en 2007 y durante los próximos 25 años aqualia realiza la gestión de aguas residuales para 41.000 habitantes.
- Alcalá de Henares. Aguas de Alcalá presta servicio en la localidad madrileña, desde julio de 2004, a una población que supera los 200.000 habitantes.
- Almería. Gestión del ciclo integral del agua abasteciendo a más de 170.000 habitantes.
- Archipiélago Canario. Primer operador privado con más de 350.000 personas abastecidas en el conjunto de las islas.
- Argelia: Mostaganem y Cap Djinet. Construcción y explotación de dos desaladoras, con una capacidad de 200.000 m³/día y 100.000 m³/día respectivamente, por un periodo de 25 años, con las que dará servicio a más de 1.500.000 de habitantes.
- Ávila. Gestión del ciclo integral del agua desde el año 1988 para abastecer a una población de casi 50.000 habitantes. Contrato suscrito con el ayuntamiento para actuaciones hasta el 2015 con una inversión de 2 M de €.
- Badajoz. Construcción y explotación de infraestructuras para la gestión integral del agua durante 40 años.
- Benhu (provincia de Anhui, China). Depuración de aguas residuales durante 25 años, en un territorio de 2.000.000 de habitantes
- Italia: Caltanissetta (Sicilia). Gestión del ciclo integral del agua en 22 poblaciones para atender a 280.000 habitantes.
- Jaén. Gestión del ciclo integral del agua desde 1997.
- Lleida. Gestión del ciclo integral del agua atendiendo a más de 130.000 habitantes.
- Madrid. Tratamiento de las aguas residuales de 1.500.000 habitantes.
- Méjico: Queretaro. Ejecución del proyecto Acueducto II para dotar de agua potable a 700.000 habitantes.
- Oviedo. Gestión del ciclo integral del agua desde 1996 durante 50 años para atender a más de 210.000 habitantes.
- Puerto de la Cruz (Tenerife). Gestión del Ciclo Integral del Agua. En total, aqualia abastece en las islas a una población superior a los 140.000 habitantes.
- República Checa. SmVaK, filial de aqualia en La República Checa presta servicio a más de 1.100.000 personas y es el principal operador de <http://www.aqualia.es/prensa/notasPrensa.aspx> Moravia y Silesia.
- Santander. aqualia gestiona el ciclo integral del agua en Santander desde el 1 de abril de 2006, prestando servicio a una población de 183.955 habitantes.
- Salamanca. Abastecimiento, alcantarillado y depuración para atender a más de 200.000 habitantes.
- Vigo. aqualia gestiona el ciclo integral del agua en Vigo desde 1991. Cuenta con una red de distribución de 1.027 Km. y abastece a más de 300.000 habitantes.

Table 10. FCC Subsidiaries in water in Europe

Country	Company	Sector	% owned	Website	Employees	Address
Spain	Aqualia	Water	100	www.aqualia.es	Centre area: 1193 employees; Northern area: 1191 employees; Southern area: 1274	

²⁴ <http://www.aqualia.es/aqualia/dondeOfrecemosServicio.aspx>; FCC and the European Bank for Reconstruction and Development (EBRD) create a water infrastructure management company 18-05-2009
http://www.fcc.es/fcc/corp/ing/sdp_n_ddln_434.htm

					employees; Eastern area: 751 employees (all 2005)	
Czech republic	SMVK	Water	100	http://www.smvak.cz/	915 (2008)	Severomoravské vodovody a kanalizace Ostrava a.s. www.smvak.cz
Italy	Caltanissetta Water		51			Caltanissetta
Portugal	La Lezíria del Tajo	water				La Lezíria del Tajo, Cartaxo, Fundao, Elvas, Campo Maior y Abrantes.
Poland						

2.5.1. Proactiva (50-50 Veolia and FCC)

In Latin America, FCC operates in water and waste through Proactiva, a 50-50 joint venture with Veolia, which had sales of €470million and 4535 employees in 2011.²⁵

The main contract is now in Ecuador, where Proactiva bought Interagua, which holds the water concession in Guayaquil, from the Bechtel/Edison consortium in 2008. The company was denounced by residents in February 2010 for failure to maintain the network, resulting in the collapse of sewers and large-scale flooding. A new extension to the sewerage network was commissioned by the public authority "completely financed with the proceeds of a fine imposed on Interagua for failure to meet contractual obligations" The ministry of housing has recommended that all the water concessions in the country should be drastically renegotiated or terminated by the end of 2010, including that of Interagua where the ministry "found "distortions" in the rate calculations made by Interagua which produced excessive charges especially in low-income areas"²⁶

The status of other contracts in Latin America is unclear, The group has held contracts in Mexico (the concession at Aguascalientes, a contract at Puebla, and a 5-year commercial services management contract in part of the Mexico City Federal District); Colombia (Tunja and Monteria). Proactiva has lost other contracts: the former contract in Argentina (Catamarca) ended in 2006, the water treatment BOT concession in Tibitoc, Colombia, is being renegotiated at the insistence of the Colombian national water authority. FCC no longer records the former contracts in Brazil (Paraná) or Venezuela (Caracas - management of water supply for the northwest sector of the city). FCC and Veolia plan to use Proactiva to bid jointly for BOT contracts in future.²⁷

2.6. Sacyr Vallehermoso/Valoriza/AGS

Sacyr Vallehermoso (SYV) is a Spanish construction, infrastructure and property group, with sales of €5.9 billion and 18,557 employees in 2009. It operates 22 motorway concessions in Spain, Portugal, Ireland and Italy, Chile, and Costa Rica and also holds similar concessions in Chile and Brazil; 6 hospital concessions in Spain and Portugal; and airport and underground railway concessions in Spain. It has encountered financial problems since the recession, and has sold its stakes in the French construction group Eiffage and the Spanish oil group Repsol.

Valoriza is the services group of SYV, which represents only about 16% of SYV's business, with €992m. sales in 2011, including waste management and wind-powered and co-generation electricity €257m. of

²⁵ http://www.proactiva.es/es/index.php?option=com_content&task=view&id=10&Itemid=30

²⁶ Business News Americas – English February 15, 2010 Monday 4:33 PM GMT Citizens blame concessionaires for floods in Guayaquil http://www.bnAmericas.com/story.xsql?id_sector=4&id_noticia=507653&Tx_idioma=I&source_; Business News Americas – English July 15, 2010 Guayaquil inaugurates US\$3.5mn sewerage networkhttp://www.bnAmericas.com/story.xsql?id_sector=4&id_noticia=524386&Tx_idioma=I&source_; TendersInfo October 19, 2009 Monday Ecuador : Miduvi recommends contracts with water utilities be renegotiated, terminated

²⁷ Expansion September 2, 2009 Wednesday L. America: Veolia and FCC sign alliance in water management sector

which was in water, out of €3,949 million for the group as a whole. SYV wants to sell Valoriza, but has not found a buyer.²⁸

Valoriza Agua operates water supply for 25 municipalities in Spain. It acquired a 33% stake in Emalsa, the water company of the Canary Islands, in 2005 (SAUR owns another 33%); it has a stake in Emmasa, the water company of Tenerife; and in Alcala de Henares, a controversially privatized water company in the Madrid region; and operates water supply in Guadalajara. It also holds contracts for water and wastewater treatment plants and desalination plants, through subsidiary Sadyt, mainly in Spain but also in Algeria, Israel, Chile and Australia.

It also operates in Portugal and Brazil, through Administración y Gestión de Sistemas de Salubridade (AGS), which operates water supply for 18 municipalities in Portugal, including Setúbal, Cascais, Gondomar and Barcelos, and two concessions in São Paulo state in Brazil. In 2011 the group wrote off €18 million Euros in relation to water management business in Portugal.²⁹

Valoriza also operates in waste management in Spain (through Sufi), with contracts in Toledo, Cadiz, Lerida and Madrid. Its other service activities include maintenance contracts for Princesa Hospital in Madrid, Málaga University and more than 90 metro stations in Madrid. Valoriza also operates in cleaning, facilities management and in social care through Valoriza Servicios Socio Sanitarios (VSS), a joint venture with the Spanish state-owned holding company, SEPI (SYV owns 52%). Valoriza “VSS provides home assistance services to the elderly and manages nursing homes”. In 2011 the company won large new contracts: Integrated Management of the “Las Fuentes” senior citizens’ home and day centre (Zaragoza) for the government of Aragón (13.5 million of euros, 10 year contract); Home assistance service, Alava provincial government 9.1 million of euros, two year contract); Home assistance service, Albacete city government (7.7 million of euros, four year contract).³⁰

Website	Address	EWC eligibility
http://www.gruposyv.com	Tel.: +34 902 19 63 60 accionistas@gruposyv.com	W; P

Table 11. Sacyr Vallehermoso/Valoriza subsidiaries in water in Europe

Country	Company	Sector	% owned	Website	Employees	Contracts
Spain	Emalsa	Water	33	www.emalsa.es	314 (2011)	Las Palmas de Gran Canaria.
Spain	Emmasa	Water	95	www.emmasa.es	211 (2006)	Tenerife
Spain	Alcala de Henares	Water	25	http://www.aguasdealcala.es/		Alcalá de Henares
Portugal	AGS	Water	100	http://www.ags.pt/pt/ags.htm	1350	Setúbal, Cascais, Gondomar and Barcelos

Table 12. Water Contracts of Valoriza

	Company	Location	% owned	Ends	Customers
ES	Guadalagua	Guadalajara	60%	2035	85,000
ES	Emalsa	Las Palmas, Santa Brígida	33%	2043	162,200
ES	Emmasa	Santa Cruz de Tenerife	95%	2031	70,200
ES	Aguas De Alcalá	Alcalá de Henares	25%	2029	45,500
ES	San Vicente de la Barquera	San Vicente de la Barquera		2024	5000
ES	Cabezón de la Sal	Cabezón de la Sal		2036	8500

²⁸ Les Echos 14 novembre 2008 vendredi Le BTP espagnol renonce à sa diversification dans les services

²⁹ SV Annual Report 2011 www.gruposyv.com, p.150

³⁰ SV Annual Report 2011 www.gruposyv.com, p.54; M2 Europharma May 28, 2009 Thursday SEPI, SyV to work together on social, health services; Spanish Business Digest April 9, 2009 Sacyr wins four contracts in care, assistance services sector

ES	Almadén	Almadén		2028	10000
ES	Píoz	Píoz		2033	20000
PT	Aguas de Covilla	Covilla	49%	2033	55,000
PT	Aguas De Cascais	Cascais	43%	2025	107,000
PT	Aguas De Gondomar	Gondomar	43%	2026	74,200
PT	Aguas Do Sado	Setubal	40%	2022	61,300
PT	Aguas Da Figueira	Figueira da Foz	40%	2034	38,200
PT	Tratave	Guimaraes, Santo Tirso, Vila Nova	40%	2026	300
PT	Aguas De Barcelos	Barcelos	75%	2034	40,000
PT	Aguas De Alenquer	Alenquer	40%	2033	22,200
PT	Taviraverde	Tavira	32%	2026	27,000
PT	Ags Pazos Da Ferreira	Pazos da Ferreira	90%	2034	7,100
PT	Fagar	Faro	33%	2040	32,000
PT	Aguas Do Marco	Marco do Canaveses	51%	2039	24,500
PT	Aguas De Carrazeda	Carraceda	75%	2031	5,200
PT	Aguas Da Serra	Covilha	100%	2035	
PT	Aguas do Sado	Setubal		2022	117000
Bras	Sanear	Sao Paulo	54%	2015	
Bras	Aguas De Mandaguahy	Mandaguahy-Sao Paulo	85%	2021	

2.7. Gelsenwasser

Gelsenwasser is a water, gas and electricity distribution company, 98.5% owned by the municipalities of the cities of Bochum and Dortmund, which bought the company from E.on in 2003. It provides water and wastewater to a number of municipalities in Germany, through a number of concession contracts, both directly and through various subsidiary stadtwerke. It had to be sold by E.on to reduce the dominance of its position in the gas market. Before it was bought by E.on in the 1990s, Gelsenwasser had existed since 1877 as a water company owned by a number of German municipalities.

In 2011 it had total sales of €753m., of which water accounted for €255m. Gelsenwasser now owns 100% of a small French water company, Nantaise des Eaux Services: it bought 60% of the shares in 2007 and the rest in 2009. This is the only known example of a foreign company owning a French water operator. Nantaise has been expanding in France and gaining contracts, which has been resisted by the 2 dominant French companies: in January 2010 Veolia lodged an appeal against the loss of a contract, which led Nantaise to issue a press statement saying that it “regretted the attitude of Veolia....and called on Veolia Eau to show more respect towards its competitors”.³¹

Gelsenwasser expanded into eastern Europe in the early 2000s. It retreated from Hungary, where it sold its shares in GW-Borsodvíz Kft in 2005, to a local Hungarian company, but it still owns shares in water companies in the Czech republic - 30.58% of Chevak Cheb; 50% of Tereia Cheb; and 50% of KMS Kraslicka Mestska Spolecnost. In Poland, it owns 46% of PWiK Glogow. In all these cases the rest of the shares are owned by the municipalities.

In 2005 Gelsenwasser expanded its international operations through extending or obtaining management contracts in Kosovo (for the towns of Gjakova, Rahovec, Priština and Mitrovica) and Kazakhstan (for the town of Kasalinsk): in both cases the contracts were financed by the German development agency KfW. These contracts ended in 2007.

In 2009 Gelsenwasser started a 5-year management contract, worth €23m. of the water company SEATA, SEATA serves the regions Annaba and El Tarif in north-eastern Algeria, with about 2,600 employees. In 2008 Gelsenwasser also had a 2-year contract for the operation of a wastewater plant at Ouargla in Algeria.

³¹ <http://www.ndes.fr/actualites/items/gelsenwasser-via-sa-filiale-nantaise-des-eaux-services-gagne-le-contrat-dassainissement-de-chelles-407741-et-regrette-latitude-.html>

Gelsenwasser is therefore eligible for an EWC on the basis of its ownership of Nantaise des Eaux and its stakes in the Czech companies.

Table 13. Gelsenwasser: subsidiaries in water in Europe

Country	Company	% owned	Website	Employees (2011)
Germany	Gelsenwasser	100%	www.gelsenwasser.de	1033
Czech Republic	Chevak Cheb	30.58	www.chevak.cz	198
Czech Republic	Terea Cheb	50%	www.terea-cheb.cz	84
Czech republic	KMS Kraslicka Mestska Spolecnost	50%		24
France	Nantaise des Eaux	100%	http://www.nantaise-des-eaux.com	230
Poland	PWiK Glogow	46%	www.pwik.glogow.pl	140

2.8. Energie AG

Energie AG www.energieag.at originated as a regional energy company owned by the province of Upper Austria: it was formerly called Oberösterreichische Kraftwerke AG" (OKA). It is now 51% owned by the province, with the other shares owned by a number of other public sector companies and banks. It employs 7754 people in 2011, of which 1703 were in water.

It had sales of €133m . in water in 2010/11. It operates mainly in Austria in all sectors, and in the Czech republic, where it has substantial holdings and plans to continue to grow. It also has smallscale activity in Hungary, Slovakia, and Slovenia.

Table 14. Energie AG water employees 2008-09

Country	Company	Percent	Employees
Austria	WDL-WasserdiensleistungsGmbH		
Czech Republic	Aqua Servis		
Czech Republic	CEVAK	97	1000
Czech Republic	VHOS	100	189
Czech Republic	VaK Beroun	58.3	145

2.9. Eligibility for European Works Councils (EWCs)

There are 7 companies eligible for EWCs on the basis of their operations in the water sector alone. The tables show the current eligibility, based on minimum requirements of employing at least 1000 workers in EU member states, with at least 150 employees in at least 2 EU countries.

They also show a core group of countries where water privatisation exists to a significant extent: Czech Republic, France, Spain, and the UK (Hungary is now removing itself from this group); another group where there is a declining presence: Germany, Italy, Hungary; and another group with a small but stable presence which may be under pressure to grow: Portugal, Romania, Bulgaria, Greece

Other companies are eligible for an EWC on account of their other activities. These include RWE; EVN; ACS.

Table 15. Multinationals eligible for EWCs: water companies in > 2 countries

Group	EWC eligible	EWC exists?	Home	Countries (water operations)
Veolia	Yes	Yes	FR	Bulgaria, Czech Republic, Estonia, France,

Group	EWC eligible	EWC exists?	Home	Countries (water operations)
Suez*	Yes	Yes (GdF-Suez)	FR	Germany, Hungary, Italy, Romania, Slovakia, UK
SAUR/Séché	Yes	No	FR	France, Poland
FCC/Aqualia	Yes	No	ES	Spain, Czech republic, Italy, Portugal
Sacyr Vallehermosa/Valoriza	Yes	No	ES	Spain, Portugal
Gelsenwasser	Yes	No	DE	France, Germany, Hungary, Poland
Energie AG	Yes	No	AT	Austria, Czech republic, Slovenia
United Utilities	Yes	No	UK	UK, Estonia

- including Aguas de Barcelona

2.10. UK

Since the sale of Biwater in 2010, the only remaining international contract of a UK water company is the stake in Tallina Vesi, Estonia, which is still held by United Utilities.

Only three of the privatized water companies in England and Wales remain part of companies quoted on the London stock exchange. The rest are now mostly owned by private equity and infrastructure funds, with three owned by Asian multinationals.

Of the 10 large water and sewerage companies, four – Anglian, Southern, Thames and Yorkshire - are already owned by private equity or financial groups. Three large companies are still part of groups quoted on the London stock exchange –Severn Trent, South West, and United Utilities: of these, Pennon Group, owners of South-West Water, is 46% owned by 6 major financial shareholders. Two of the 10 large water and sewerage companies are owned by Asian multinationals - Wessex, owned by the Malaysian company YTL, and Northumbrian, bought in 2011 by the Hong Kong group Cheung Kong Infrastructure. The remaining one, Welsh Water, is owned by a not for profit private company (Glas Cymru).

Of the smaller water only companies, only one is still listed on the stock exchange, Dee Valley, and that is 35% owned by insurance company Axa. One company, Bournemouth, is owned by the Singapore multinational Sembcorp as a result of its takeover of Biwater.

All of the others are now owned by various private equity funds, since the French multinationals have finally sold the majority of their holdings. Suez has sold 70% of Bristol Water to Capstone, a Canadian infrastructure fund , and Veolia sold its subsidiaries to a private equity consortium, Rift, in 2012.

There are no dominant private equity funds. Each water company is owned by a consortium made up of different PE funds and other financial investors. No PE fund has more than one significant investment, except for the consortium which recently bought Veolia's former subsidiaries as part of a package.

Table 16. England and Wales: Water Company ownership, July 2012

(Type of owner: SEC = stock exchange quoted (UK); M = multinational; PE=private equity; NPC=not-for-profit company; P= privately owned company)

Company	Owner	Country	Type of owner	Comments
Anglian Water	Osprey/AWG	UK	PE	Consortium of 3 PE funds, inc. 3i
Northumbrian Water	Cheung Kong Infr.	China (HK)	M	via UK Water
Severn Trent Water	Severn Trent	UK	SEC	
Southern Water	Greensands	UK	PE	Consortium: IIF 28%, Challenger 23%, UBS 16%
South West Water	Pennon Group	UK	SEC	
Thames Water	Macquarie	Australia	PE	Also China Investment Corp CIC 8.7%, Abu Dhabi Investment Corp 9.9%
United Utilities Water	United Utilities	UK	SEC	

Welsh Water	Glas Cymru	UK	NFPC	Not for profit private company
Wessex Water	YTL	Malaysia	M	Malaysian power company
Yorkshire Water	Saltaire Water	UK	PE	PE consortium: Citi, GIC, Infracapital
Bournemouth and West Hampshire Water	Sembcorp	Singapore	M	Singapore based company http://www.semcorp.com/
Bristol Water	Capstone (70%), Agbar/Suez (30%)	Canada, ES/FR	PE,M	Capstone is a listed infrastructure fund, spun off by Macquarie
Cambridge Water	Alinda	USA	PE	Alinda Capital partners, a US PE firm
Cholderton Water	Cholderton Estate	UK	P	Private family owned
Dee Valley	-	UK	SEC	35% of shares owned by Axa SA.
Folkestone and Dover	Rift	UK/USA	PE	Infracapital (Prudential) and Morgan Stanley Infrastructure. 10% still held by Veolia
Portsmouth Water	South Downs Capital	UK	PE	15% owned by directors, 36% owned by SMIF/Land Securities
South East Water	UTA and HDF	Australia	PE	Utilities Trust of Australia, Hastings Diversified Utilities Fund
South Staffordshire Water	Alinda	USA	PE	Alinda Capital partners, a US PE firm
Sutton & East Surrey Water	Aqueduct Capital	Canada/UK	PE	Canadian funds CDPQ 25%, AIM 17.5%, PSP 22%; plus Aqueduct Capital 25%, GBP 10%
Tendring Hundred	Rift	UK/USA	PE	Infracapital (Prudential) and Morgan Stanley Infrastructure. 10% still held by Veolia
Three Valleys	Rift	UK/USA	PE	Infracapital (Prudential) and Morgan Stanley Infrastructure. 10% still held by Veolia

2.11. Other companies

2.11.1. RWE

RWE has been systematically withdrawing from the water sector since 2004. It sold Thames Water to private equity funds of the Australian Macquarie, and sold American Water Works by listing it on the New York stock exchange in 2008-2009. In July 2012 agreed to sell its 24.9% stake in Berlinwasser and its 12.5% stake in Budapest water (Hungary). It retains water operations in Germany with [Rheinisch-Westfälische Wasserwerksgesellschaft \(RWW\)](#).

2.11.2. EVN

EVN is one of five Austrian energy and water utilities, which remain controlled by the public sector: the provincial government of Lower Austria is the majority shareholder with 51% of shares. EVN has been expanding in energy in eastern and southeast Europe. The whole EVN group in 2011 employed 8250 people, the great majority in energy.

EVN operates the regional supply of drinking water to 481,000 people in Lower Austria (EVN Wasser).

It has no operating contracts or concessions for full water systems outside Austria, but it builds and operates treatment plants in a number of countries, including Austria itself. It is a partner with RWE in the Zagreb sewerage treatment plant Zagrebacke Otpadne Vode. Through WTE Wassertechnik, previously owned by the German company Berlinwasser but bought by EVN in October 2003, designs, builds, finances and operates municipal and industrial water and wastewater plants in Austria, Cyprus, Denmark, Germany, Lithuania, Montenegro, Poland, Slovenia and Turkey, as well as a series of plants in Russia.

EVN is eligible for an EWC on account of its energy activities, but not in water alone, as it does not have sufficient employees in any one country outside Austria.

2.11.3. Berlinwasser

Berlinwasser is in the process of remunicipalisation in mid-2012.

Under the joint ownership of RWE and Veolia, it developed a set of international operations in its own right, grouped under BWB International. The company still has an active international division, Berlinwasser International (BWI), which is still in July 2012 the owner of 12.5% of FCSM, the sewerage service of Budapest. Otherwise it no longer holds operating contracts and concessions for complete water and sewerage systems, but operates internationally through a series of consultancy and engineering projects, including BOTs, and short-term management contracts, in Albania, Azerbaijan, Brazil, China, Hungary, India, Mauritius, Namibia, Russia, Serbia, Thailand, Turkey, Ukraine, Vietnam, and UAE. Most of this work has been funded through the German development agency KfW.³²

2.11.4. Acea

Acea was the municipal water and energy utility for the city of Rome, which was part-privatised by the public sale of 49% of shares in 1999. In 2012 it is 51% owned by Rome city council, 12.5% owned by GDF Suez, and 16% owned by Italian construction company Caltagirone. Acea's main business is electricity. It has ended the former joint venture with GdF-Suez.³³

Acea is the major Italian private water operator. It expanded from the 1990s, in partnership with Suez, through bids for water concessions and buying shares in existing companies. In 2012, Acea owned dominant stakes in the water operators of Rome and Frosinone, Gori, Pisa, Firenze, Perugia, Arezzo and Siena. Acea has been subject to many legal proceedings over water tariffs, tax and liability for sickness and social insurance contributions.³⁴

Acea's international activity in water is very small, accounting for only €16.5m. sales in 2011. It has no operations in Europe outside Italy. It has three operations in Latin America:

- a 51% stake in Aguazul Bogota, in Colombia, which generated €15.3million, including a share of the Rio Chillon water treatment BOT in Peru.
- a subsidiary in the Dominican Republic, which generated €1.2million sales in 2011.

³² http://www.berlinwasser.com/content/language1/downloads/BWI_COMPANY_2009.pdf

³³ European Daily Electricity Markets September 7, 2010 Tuesday For the Record

³⁴ Acea Consolidated Financial Report 2009 http://acea2009.message-asp.com/sites/all/files/acea2009/Acea2009_fin-statements.pdf

3. Issues and trends

There are six important features of the private water sector in Europe in 2010:

- The ownership of private water companies in Europe in 2010 has become even more concentrated than before. It is now more than ever overwhelmingly dominated by Suez and Veolia.
- Both Suez and Veolia, and other smaller companies such as SAUR and FCC, are increasingly dependent on state capital, both from the government of France and from international development banks, including the EBRD and the IFC
- There continues to be a significant trend towards remunicipalisation, with cities such as Berlin and Budapest following the example of Paris.
- However, the austerity packages imposed in countries of southern Europe have become a new driver for privatisation
- There is continued strong public resistance to water privatisation, notably in Italy (see Annexe), in Portugal against the privatisation of Aguas do Portugal, in Greece, against the proposed privatisation of water in Thessaloniki and Athens, and in Spain, against the proposed privatisation of Canal Isabel II in Madrid.
- The EU's long-awaited policy on water resources will be issued at the end of 2012, and the companies are already lobbying on this. But the EU's development policy in relation to water is more sympathetic to public provision, and more critical of the private sector.

3.1. Cartels

The French water multinationals are being investigated by the European Commission for anti-competitive collusion in water services in France. Suez has already been fined €8 million for breaking a seal after an inspection at the company headquarters. In January 2012 the EC announced:

The European Commission has opened formal antitrust proceedings to investigate whether the French companies SAUR, Suez Environnement/Lyonnaise des Eaux and Veolia, together with their trade association Fédération Professionnelle des Entreprises de l'Eau ("FP2E"), have coordinated their behaviour on French water and waste water markets, in breach of EU antitrust rules. The opening of proceedings means that the Commission will treat the case as a matter of priority. It does not prejudge the outcome of the investigation. The Commission will examine whether the undertakings concerned have coordinated their behaviour in markets for water and waste water services in France, in particular with respect to elements of the price invoiced to final consumers, contrary to Article 101 of the Treaty on the Functioning of the European Union (TFEU). The provision of these services is contracted out by local authorities to private companies.....

....In April 2010, the Commission carried out unannounced inspections at the premises of several French companies active in the water and waste water services markets (see [MEMO/10/134](#)). In the context of the same antitrust investigation, the Commission has fined Suez Environnement and its subsidiary Lyonnaise des Eaux (LDE) €8 million for the breach of a seal affixed by the Commission during an inspection at LDE's premises in April 2010 (see [IP/11/632](#)).³⁵

France itself has fined the companies in the past for anti-competitive practices in these sectors. In 2009 Suez and Veolia had to withdraw from 12 joint ventures in which they had equal shares. The French competition authority found that in cities run by these joint ventures, calls for tenders did not abide by applicable rules and that there was "collective abuse of dominant position".

Similar problems occur with the companies in the energy sector. In 2009 both GdF-Suez and E.on were fined €553million each for an agreement not to compete in gas supplies in each other's countries.³⁶

³⁵ Antitrust: Commission opens proceedings against companies in French water sector Brussels, 18 January 2012 <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/26&format=HTML&aged=1&language=EN&guiLanguage=en> ; Europolitics April 20, 2010 Tuesday Competition : French water treatment companies under investigation

³⁶ Europolitics April 20, 2010 COMPETITION : FRENCH WATER TREATMENT COMPANIES UNDER INVESTIGATION; Mondaq <http://www.mondaq.com/article.asp?articleid=102812> ; The Guardian (London) July 9, 2009 Thursday Brussels fines energy companies £1bn for cartel <http://www.guardian.co.uk/business/2009/jul/08/gas-company-fines-european-commission> ;

3.2. State and public development bank finance for private companies

The most ironic development is the partial nationalisation of all the main French private water companies themselves. As they weakened financially in the late 2000s, all the companies became vulnerable to takeovers, and a national strategy to protect key French companies from foreign control resulted in the French state becoming the major shareholder in all three. In 2009 Suez was merged with the state-owned GdF, with the result that Suez Environnement, including all the water operations, is now 36% owned by GdF-Suez, which is itself 36% owned by the French state. The impact of this extends beyond France, since Aguas de Barcelona is now wholly owned by Suez.

The French state has also become the largest shareholder in Veolia, with 12.4% of shares, but its energy division outside France, Dalkia International, is already a 50-50 venture with EdF, which is 85% state-owned. A similar attempt to merge its transport division into a 50-50 venture with a state-owned company failed, but the French state is now effectively taking responsibility for the loss-making transport operations.

In April 2007 SAUR was bought by a consortium led by the French state, which still holds 38%, in order to prevent a foreign private equity takeover.³⁷

The companies are also becoming increasingly dependent on the support and partnership of the development banks for their international activity. The International Finance Corporation (IFC) invested \$25million in 13.9% of the shares of Veolia AMI, the company's subsidiary aimed at Africa, Middle East and India; Proparco, an arm of the French state's Agence Française de Développement (AFD), invested 10million in buying 5.6% of the shares.³⁸ The IFC also invested €100 million in buying 9.5% of the shares of Veolia Voda, Veolia's eastern European arm, in which the EBRD has also invested €175million.³⁹ The EBRD has provided nearly €500 million in equity and loan finance for private water companies since 1991.

Table 17. EBRD finance for private water, 1991-2009 € million

	EBRD finance 1991-2009	Of which equity investments
FCC/Aqualia	80	80
Suez	42	0
United Utilities	111	17
Veolia	263	175
<i>TOTAL</i>	<i>496</i>	<i>272</i>
<i>Veolia other (heating, transport)</i>	<i>208</i>	<i>141</i>

Source: EBRD investments 1991-2009 <http://www.ebrd.com/downloads/research/annual/invest09.xls>

3.2.1. EBRD and IFC: public finance for private water companies

The European Bank for Reconstruction and Development (EBRD) is a public sector development bank set up to finance development in transition countries of central and eastern Europe and former Soviet Union. It lends money to companies in all sectors, including municipal infrastructure, which includes water. It finances water operations through loans to both public and private operators, but only makes equity investments in private water companies.

³⁷ Les Echos April 20, 2007 Friday : FRENCH CONSORTIUM ACQUIRES SAUR (LA SAUR REPRISE PAR LE CONSORCIO COMPOSE DE LA CDC, SECHE ET AXA IM

³⁸ Veolia press release, January 09, 2008. The International Financial Corporation (IFC) and PROPARCO invest in Veolia Water Africa, Middle East and India

<http://www.veolia.com/en/medias/press-releases/The-International-Financial-Corporation-IFC-and-PROPARCO-invest-in-Veolia-Water-Africa-Middle-East-and-India.htm>

³⁹ Veolia <http://www.finance.veolia.com/docs/Operating-and-Financial-Review-June-2010-def-sans-mark-up.pdf>; IFC <http://www.ifc.org/ifcext/media.nsf/content/SelectedPressRelease?OpenDocument&UNID=80FBA1D1C466866085257737005B9ABF>; EBRD investments 1991-2009 <http://www.ebrd.com/downloads/research/annual/invest09.xls>

The EBRD agreed in 2009 to invest €80 million in shares in a joint venture with FCC's Aqualia, called Aqualia New Europe. FCC/Aqualia will own 51%, the EBRD 49%. FCC commented that: "This project will increase Aqualia's foothold in the Eastern and Central European water sector".⁴⁰

The EBRD has made similar equity investments in Veolia Voda, Veolia's operating company in central and eastern Europe, since 2007. The cumulative value of these equity investments is now £175m. The World Bank's private sector arm, the IFC, has also invested in Veolia Voda, as well as Veolia's other international water operations. (see below).

The EBRD has also financed other private water companies' operations in central and eastern Europe. It financed the United Utilities commercial ventures in eastern Europe (now part of Veolia), including equity investments; it financed ventures by Suez, who negotiated a 'multi-project' loan, tied to Suez, in 1996. In addition, Veolia has benefitted from EBRD finance for its operations in energy services (Dalkia) and transport (Connex). The table below shows that the cumulative total value of this financing has been €496 million, of which €272 million consists of equity stakes.

Table 18. EBRD finance for private water, 1991-2009 € million

	EBRD finance 1991-2009	Of which equity investments
FCC/Aqualia	80	80
Suez	42	0
United Utilities (now Veolia)	111	17
Veolia	263	175
<i>TOTAL</i>	<i>496</i>	<i>272</i>
<i>Veolia – non-water (Dalkia, Connex)</i>	<i>208</i>	<i>141</i>

Source: EBRD investments 1991-2009 <http://www.ebrd.com/downloads/research/annual/invest09.xls>

These EBRD equity investments in water represent an extraordinarily high percentage of all EBRD equity stakes in private companies in all sectors. Equity stakes in private water ventures account for 27% of all EBRD equity investments – despite the fact that the water sector is a much smaller part of the economy, and that the majority of it remains in the public sector. These figures suggest that the water companies have found very effective mechanisms for convincing the EBRD of their need for public finance. See annexe B for details of these loans.

Table 19. EBRD equity investments 1991-2009: heavily weighted to water

		€ million	% of total
TOTAL EBRD equity investments 1991-2009		10021	100.0
of which	All municipal infrastructure	426	42.5
of which	Water	272	27.2

Source: EBRD investments 1991-2009 <http://www.ebrd.com/downloads/research/annual/invest09.xls>

The International Finance Corporation (IFC) has also made substantial equity investments, in two different subsidiaries of Veolia. In June 2010 it announced it would acquire 9.5% of the shares of Veolia Voda through:

"an equity investment of up to €100 million via a new share issue in Veolia Voda, Veolia Water's Eastern European arm. The capital will be used to support the expansion of Veolia Voda's operations

⁴⁰FCC 18-05-2009 FCC and the European Bank for Reconstruction and Development (EBRD) create a water infrastructure management company http://www.fcc.es/fcc/corp/ing/sdp_n_ddln_434.htm

into new markets in Central and Eastern Europe, including Russia, Turkey, Ukraine, and the some of the Balkans.”⁴¹

IFC had previously invested \$25million as equity in Veolia AMI, the company’s subsidiary aimed at Africa, Middle East and India.

3.2.2. Eastern strategy

The EBRD decisions to finance FCC and Veolia are a clear encouragement to the companies to expand eastwards. Other international institutions - the OECD and the UNECE - have also been actively promoting the possible markets for water privatisation in eastern Europe and central Asia (EECA - i.e. the former Soviet Union) for the last few years. An OECD conference at the start of 2010 received a detailed report both on the existing cases of privatisation and the potential for future private enterprise in each country (see annexe).

3.3. Remunicipalisation and public opposition to privatisation

The great majority of European water operators remain in public ownership.

3.3.1. France: Paris and beyond

The original home market of the French companies is being eroded by re-municipalisations. These have been made possible by many contracts expiring at the same time, so that remunicipalisation is an option that can be chosen without risking legal action by the company for compensation. For Veolia, a quarter of their water business in France depends on contracts expiring between 2012 and 2015.

The largest and most significant was the decision of Paris city council to establish a municipal water service in 2010, when the 25 years contracts of Suez and Veolia expired. Over the course of these contracts, the price of water in Paris had almost doubled in real terms, after allowing for inflation. The companies also benefitted from confidential contract clauses which allowed automatic price rises every 3 months, allowed the companies to retain and enjoy interest on customer payments for months, as well as give construction and other contracts to their own subsidiaries, while the regulatory body was actually partially owned by the companies themselves. The decision to re-municipalise was made as part of a manifesto commitment by the ‘red-green’ coalition which was elected in 2001 and 2007, after a series of studies had confirmed the potential for greater efficiency under public ownership and management.

The new municipal service has the legal status of a ‘régie à personnalité morale et à autonomie financière’, a form of corporatisation available under French law. The economic savings from the remunicipalisation were even greater than expected. The one-off transition costs of merging two separate companies and part of the city administration, as well as harmonising the employment conditions, amounted to nearly 15% of annual revenues, but even after this the city saved about €35million in the first year, and was able to reduce the water tariff by 8%.⁴²

By 2012 a further 40 French municipalities have re-municipalised water services, including major cities such as Bordeaux and Brest. In other cases, reviews of the contracts have revealed exceptional profits, and municipalities have negotiated large rebates or price reductions from the companies, but without remunicipalisation. Veolia managed to save its even larger contract with the inter-municipal service for the Ile-de-France region (SEDIF), but the profit margins have been much reduced, and some communes are planning to withdraw from SEDIF and create direct municipal services, which also erodes the value of the contract. Suez have paid consultants to try and discredit advocates of remunicipalisation and to create phoney blogs, pretending to be ordinary members of the public, promoting privatisation.⁴³

⁴¹ Veolia <http://www.finance.veolia.com/docs/Operating-and-Financial-Review-June-2010-def-sans-mark-up.pdf>; IFC <http://www.ifc.org/ifcext/media.nsf/content/SelectedPressRelease?OpenDocument&UNID=80FBA1D1C466866085257737005B9ABF>

⁴² TNI/CEO 2012 Remunicipalisation: putting water back into public hands. TNI <http://www.corporateeurope.org/publications/remunicipalisation-putting-water-back-public-hands>

⁴³ TNI/CEO 2012 Remunicipalisation: putting water back into public hands. TNI <http://www.corporateeurope.org/publications/remunicipalisation-putting-water-back-public-hands>; Comment une multinationale a voulu déstabiliser un élu du Parti de gauche Marianne July 2012 http://www.marianne2.fr/Comment-une-multinationale-a-voulu-destabiliser-un-elu-du-Parti-de-gauche_a220420.html

A detailed guide to remunicipalisation has been published in July 2012 by Aqua Publica Europea, setting out the legal and administrative processes for remunicipalisation, as well as the advantages, some case studies and other information: http://www.fnccr.asso.fr/documents/APE-GestionPubliqueDeLEau_2.pdf⁴⁴

3.3.2. Italy

There is widespread public resistance to water privatisation, worldwide. In the last 20 years, popular campaigns have stopped or reversed privatisation in many towns and cities across Europe. Whenever it has been subjected to a vote in a referendum it has been repeatedly, massively rejected.

On 12-13 June 2011, a nationwide referendum in Italy rejected national legislation making water service privatisation and liberalisation compulsory. This cancelled Article 23-bis of the 2009 budget law of the Berlusconi government which stated that the operators of economically relevant public services, including water supply and sanitation, would be appointed through competitive tendering, and that “in-house” water operations would cease by December 2010.

The results were a resounding victory for the Italian Forum of Water Movements – a coalition of 586 grassroots organisations including trade union FP-CGIL. Over 1,400,000 signatures were collected to request the referendum, the highest number of signatures collected for this purpose in Italy’s history. The collection of signatures was preceded by a 200,000 strong demonstration held in Rome on 20 March 2010 to give visibility to the initiative.⁴⁵ More than 27.6 million Italian citizens voted in the referendum, representing over 54% of those entitled to vote, above the required threshold of 50%, and thus making the outcome of the referendum valid for the first time in 16 years. More than 95% of those who voted in the referendum endorsed the repeal of national legislation.⁴⁶

The vote has also prevented the Italian government from selling water services as part of the privatisation programme required under the EU rescue deal, and the constitutional court has ruled against subsequent attempts to reintroduce the rejected law. There are now new campaigns to re-municipalise water and reduce water prices.⁴⁷

Privatised water companies in Italy are also facing economic problems. Acqualatina, a Veolia subsidiary operating water services south of Rome, has hit a cash crisis, due to mounting debts, partly because 8000 households in the commune of Aprilia are insisting on continuing to pay the commune because the commune of Aprilia never agreed to the privatisation. The company has also been hit as a result of trying to borrow money through derivatives.⁴⁸

⁴⁴ APE 2012 La gestion publique de l'eau: Mode d'emploi http://www.fnccr.asso.fr/documents/APE-GestionPubliqueDeLEau_2.pdf

⁴⁵ Source: Italian Forum of Water Movements (Forum Italiano dei Movimenti per l'Acqua), Chi Siamo, http://www.acquabenecomune.org/raccoltafirme/index.php?option=com_content&view=article&id=656&Itemid=113. Accessed: 30 July 2012.

⁴⁶ Mackenzie, J. (2011) “Berlusconi suffers stinging referendum defeat”, Reuters, 13 June 2011, <http://www.reuters.com/article/2011/06/13/us-italy-referendum-idUSTRE75C2VD20110613>. Accessed: 31 July 2012. Brevini, B. (2011) “The day Italians finally said no to Silvio Berlusconi”, The Guardian, 14 June 2011, <http://www.guardian.co.uk/commentisfree/2011/jun/14/silvio-berlusconi-italian-referendum>. Accessed: 31 July 2012. “Nucleare: il referendum si farà”, Corriere della Sera, 1st June 2011, http://www.corriere.it/politica/11_giugno_01/nucleare-si-cassazione_75ebbc1a-8c36-11e0-a34b-093db30f09b8.shtml. Accessed: 31 July 2012.

⁴⁷ Corte Costituzionale (2012) Sentenza 199/2012, Decisione del 17/07/2012. Rome, 20 July 2012 (http://www.acquabenecomune.org/raccoltafirme/attachments/1584_Sentenza_199-12_Corte_costituzionale.doc). Accessed: 24 July 2012.; **Big victory for the movements, the Constitutional Court blocks the privatization of water and local public services.** <http://www.fame2012.org/en/2012/07/20/constitutional-court-water/>; Agenzia Territoriale dell’Emilia-Romagna per i Servizi Idrici e Rifiuti (2012) “Atto di indirizzo in materia di servizio idrico integrato approvato nella seduta del Consiglio Locale del 23 aprile 2012 – Tariffe e modello gestionale: verso il futuro del servizio idrico integrato reggiano”, Agenzia Territoriale dell’Emilia-Romagna per i Servizi Idrici e Rifiuti, Consiglio Locale per la Provincia di Reggio Emilia, Reggio Emilia, 23 aprile 2012.

⁴⁸ Il Fatto Cronaca 7 July 2012 [Acqualatina, stipendi a rischio e casse vuote per la società idrica](http://www.ilfattoquotidiano.it/2012/07/07/acqualatina-stipendi-a-rischio-e-casse-vuote-per-la-societa-idrica-286739/) <http://www.ilfattoquotidiano.it/2012/07/07/acqualatina-stipendi-a-rischio-e-casse-vuote-per-la-societa-idrica-286739/>

3.3.3. Berlin, Germany

In 1999 the city of Berlin privatised its water service to help pay off some of its debts, despite strong public opposition. It sold 49.9% of the company to a consortium of a French multinational (Veolia) and a German multinational (RWE), who demanded a written guarantee of a large profit. The city council agreed, but the contract was kept a secret from the people of Berlin. By 2011, prices had risen by over a third above inflation, and campaigners forced a referendum in which a huge majority demanded that the contract should be made public. In January 2012 the German competition office said that the contract breaks German competition law, and the company must cut prices by 19%. The EU Commission is also considering if it is a breach of EU law against illegal state aid to private companies.

The water service is now in the process of being remunicipalised. In July 2012 RWE agreed to sell its 24.95% stake to the city council for €618million, and Veolia is also expecting to sell its stake. Campaigners are continuing to challenge the amount paid, which will be charged to the water bills of citizens.⁴⁹

3.3.4. Hungary

A number of Hungarian towns and cities have remunicipalised water services after terminating privatised water contracts.

Suez' contract in Kaposvar was remunicipalised when it expired in 2009.⁵⁰

The city council of the city of Pecs decided in September 2009 to terminate the water contract with the joint Suez-municipal company Pecsi Vizmu (48% owned by Suez, 52% by the municipality), because of excessive profits and high prices. The contract was originally awarded in 1993, without any competitive tendering. The council literally expelled Suez' managers and took control through a new municipal company. There was strong political pressure from French and other foreign governments. Ambassadors of ten EU countries wrote a public letter claiming that the action by Pecs was undermining the confidence of foreign investors in Hungary: "President Nicolas Sarkozy of France complained to Hungary's then prime minister, who in turn attracted fire from opposition politicians for "protecting the foreign capitalists and not the people" after he spoke up for Suez." Although a court originally ruled that Pecs' action was legal, the Supreme court has since overruled this, and claims and counter-claims for compensation are continuing.⁵¹

In 2012 the capital city of Budapest started the same process of remunicipalisation by buying out the minority shares of Suez and RWE in the city water company FVZ. This was done through agreement with the companies, under which the council is paying €50.9million Euros for a stake which the companies originally bought for €55.6 million Euros.⁵²

3.3.5. UK

Even in the UK, after 23 years of water privatisation, over 70% of people want water to be brought back into public ownership. A poll organised by the rightwing newspaper the Sunday express found that 71% of people wanted renationalisation:

"Our poll of more than 2,000 people across Britain, conducted by Angus Reid, found support for renationalisation of water highest among the over-55s, with 76 per cent wanting to go back to the

⁴⁹ <http://berliner-wassertisch.net/> ; <http://www.fame2012.org/en/2012/07/28/contract-berliner-wassertriebe/>;

Tendersinfo News July 19, 2012 Germany : RWE sells its 24.95% shareholding in Berliner Wasserbetriebe to the State of Berlin; WASH News International 10 August 2011 [Germany: Berlin's water privatisation under investigation by EU](#);

⁵⁰ Suez Doc de Reference 2009 http://www.suez-environnement.com/document/?f=profile/en/ddr_se_2009_en.pdf

⁵¹ Reuters 6 October 2009 <http://www.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUSL5...>;

Suez Environnement files claim at Vienna court for €32m in damages against Pecs local council MTI – Econews November 21, 2011 http://www.bbj.hu/business/suez-environnement-files-claim-at-vienna-court-for-eur32m-in-damages-against-pecs-local-council_61512 ;

⁵² Les Echos Lundi 2 Avril 2012 Nouveau revers pour Suez en Hongrie ; GWI [Vol 13, Issue 4 \(April 2012\)](#)

Suez and RWE exit Budapest <http://www.globalwaterintel.com/archive/13/4/general/suez-and-rwe-exit-budapest.html>

system they grew up with. They were supported by 72 per cent of 35 to 54-year-olds. Support was highest in the London region, at 78 per cent, followed by the Midlands and Wales at 74 per cent, the South at 70 per cent and the North at 67 per cent.”⁵³

This shows that support for public ownership has grown stronger in the last 6 years. In a BBC opinion poll in 2006, 56% were in favour of renationalisation.⁵⁴ Public opposition to privatisation is now at the same levels as it was when water was first privatised by the Thatcher government, when successive polls showed that opposition to privatisation was at 79% in July 1989⁵⁵, 72% in November 1989⁵⁶, and remained at 71% in October 1990, a year after privatisation.⁵⁷

In Scotland and Northern Ireland the service remains public because of widespread public opposition.

3.3.6. Other

The privatised water services in Tallinn, Estonia, has been under attack from the city council, the ombudsman, the competition authority and others for excessive prices and profits. In June 2012 however it won a court ruling against an attempt by the competition authority to reduce its tariffs by 29%. The company is still 35% owned by United Utilities, as Veolia refused to buy it when it bought UU's other international operations in 2010.⁵⁸

Some cities in eastern Europe and central Asia (EECA) countries have also terminated privatised contracts. These include : Tblisi, Georgia (Veolia); Almaty, Kaxakhstan(Veolia); Odessa and Kirovograd, Ukraine; Bukhara and Samarkand, Uzbekistan (Veolia). See Annexe C.

3.4. Pressures for new privatisation: Troika conditions, Madrid proposal

Austerity programmes imposed or led by the Troika of INMF, EU, and ECB include proposals for water privatisation in Greece, Portugal and Bulgaria.

For Greece, the package of the IMF-EU-ECB ‘troika’ includes a long list of companies which the country has to sell off, a list which includes the public stake in the water companies of Athens and Thessaloniki, the two largest cities. A minority of the shares in these companies has already been sold, and this has already led to higher prices and job losses without any improvement in services.

For Portugal, the troika’s conditions include a more general requirement for privatisations, but the government, as expected, has offered to plan for the privatisation of the state-owned water company, Aguas do Portugal. This company was originally encouraged to acquire municipal water services because if they became concentrated in one company, it would be easier to privatise.

Bulgaria is not subject to an external loan with conditions, but it has been enthusiastically pursuing austerity policies nevertheless. The government is planning to use nationalisation of water services as a prelude to privatisation, despite the problems of underinvestment and overcharging with Sofiiska Voda, the privatised company running water services in the capital Sofia - a privatisation which itself was pushed through as part of an earlier ‘austerity’ package.⁵⁹

⁵³ Sunday Express 06 May 2012 71 per cent say renationalise water industry
<http://www.express.co.uk/posts/view/318424/71-per-cent-say-renationalise-water-industry>

⁵⁴ BBC Daily Politics Show Poll Fieldwork : June 14th-15th 2006. Conducted by Populus.
http://www.populuslimited.com/pdf/2006_06_20_Daily_Politics.pdf

⁵⁵ The Independent July 4 1989

⁵⁶ The Times (London)November 5 1989

⁵⁷ The Independent (London)October 10, 1990

⁵⁸ [Tallinna Vesi: Supreme Court will not review the Competition Authority's appeal](#)

News Bites - Baltic, September 20, 2012

⁵⁹ Our Right to Water – case studies on austerity and privatisation in Europe March 2012
<http://www.blueplanetproject.net/documents/RTW/RTW-Europe-1.pdf>

In Madrid, the city council is proposing the partial privatisation of the public water company Canal Isabel II. This proposal has met with powerful public opposition, including a non-binding referendum in March 2012, in which over 180,000 participated, with 99% voting in favour of keeping the company 100% public. In May 2012 the council announced it was postponing the privatisation because of unfavourable conditions on the stock market, but has meanwhile attempted to create a new management company, which is also opposed by the campaign.⁶⁰

3.5. Veolia, corporate politics, water resources and solidarity financing

Multinational companies are seeking to exercise powerful influence on EU future policies on water resources and water efficiency. The members of the European Resource Efficiency Platform include Veolia Water alongside other multinationals such as Unilever, KPMG, Siemens and Rio Tinto – all of which have significant interests in the regulation of water resources, either as indirect consumers, polluters, or producers of ‘water-efficient’ agricultural machinery. – However there is no representative of public sector water companies.⁶¹ This reflects similar corporate political activity at global level, where a range of multinationals with economic interests in water efficiency are attempting to develop water policies which maximise the amount of commercial contracts from such an approach, and reduce the role of democratic control of water and energy resources.⁶²

The CEO of Veolia, Antoine Frerot, published an article in June 2012 on the future of water services in Europe.⁶³ It focussed on the need for management of water resources, and encourages the faster implementation of the wastewater directive, greater use of desalination plants, recycling of treated water and development of ‘smart meters’ for water - all of which generates large orders for Veolia. It also argues that water, waste management and energy services will become increasingly integrated – conveniently for Veolia, which is well placed to benefit, as these are its three areas of operation:

“The barriers between water, energy and waste will cease to exist and they will become closely interrelated. A convergence is already at work between the various environmental services. For example, tomorrow’s waste water treatment plants will be fully fledged biorefineries: they will produce clean water; they will generate more energy than they will consume; and they will produce biofertilisers and bioplastics from the organic matter contained in waste water sludge.”

The article also argues that the economics of water services need to be re-focussed on solidarity financing through taxes, as much as charges, in language very similar to that used by unions and social movements, including support for the human right to water:

“Some solutions may at first sight seem attractive, but they actually weaken the overarching solidarity. ...When a large industrial consumer or an eco-district makes such a decision and disconnects from the public network, it reduces the financial resources of the municipal network. It is therefore essential to protect the integrity of water and waste water services....[we should] implement water service funding based both on taxpayers and users, and not just on users....Concretely, the water service will gradually evolve towards a mixed user-taxpayer system of funding.....the EU should... ensure a real right to access to water for populations still deprived of that right – the homeless, for example – and ensure this right for people seriously affected by the recession.... The challenges facing the European Union remind us, implicitly, that water is like a large mutual benefit society.”

It would be wrong to conclude that these positions are wrong just because Veolia is now supporting them. Rather, they should be understood in the context of Veolia’s own shift of strategy, away from the model of privatised water supply by lease or concession, and towards a model of long-term outsourcing and BOT contracts (see above). Veolia has been forced to accept the dominant role of

⁶⁰ <http://plataformacontralaprivatizaciondelcyii.org/>; El País March 6, 2012 168.000 personas votan en la consulta popular sobre el Canal de Isabel

⁶¹ http://ec.europa.eu/environment/resource_efficiency/re_platform/about/members/index_en.htm

⁶² PSIRU March 2012 ‘Conflicts, companies, human rights and water’ <http://www.psiru.org/sites/default/files/2012-03-W-Resources-noanexe.docx>

⁶³ European issues n°242 5th June 2012 The future of water services in Europe after 2015. By Antoine FREROT Chairman and CEO of Veolia Environnement http://www.robert-schuman.eu/doc/questions_europe/qe-242-en.pdf

public provision of water services, but now wants to maximise outsourcing of elements of these services. It is this outsourcing strategy that is the problem, not the support for solidarity financing.

3.6. EU policy on water resources

The EC now expects to produce its policy paper on water resources, “Blueprint to Safeguard Europe’s Water”, at the end of 2012. It will cover river basin management, water scarcity, and climate change. A key area which will affect public water supply services is the question of charging for water use and pollution, and how far the policy opens up the possibility of water trading:

“The objective of the Blueprint will be to foster the recovery of environmental costs through the application of a portfolio of economic and communication instruments, complementing regulatory instruments. The options to be developed include criteria for pricing, taxation, removal of harmful subsidies, public procurements and the setting up of water allocation schemes (including tradable permits) in water scarce areas.” (http://ec.europa.eu/environment/water/blueprint/index_en.htm)

Water trading with market-driven pricing is clearly a danger to public water services. The UK Environment Agency, for example, has already proposed in 2009 an increased role for trading of water abstraction licenses, even though it acknowledges that this carries “the risk of very high prices and licence hoarding”⁶⁴

Taxation need not be such a problem if it exempts public water services – which represent a minority of the water use in Europe, compared with industry and agriculture. At present, there is some form of taxation on water in Denmark, Germany and Netherlands at present. The annex contains further information on water taxation.

The EC has also published a consultation document on a “European Innovation Partnership on Water” <http://ec.europa.eu/environment/water/innovationpartnership/pdf/Draft%20Consultation%20Document.pdf>. It focusses on the need to find technical solutions to problems of water stress both in Europe and internationally, and the opportunities in EU and export markets for water technology.

3.7. EU Development policies

The EU has taken differing positions on the role of public and private sectors. In relation to the provision of water services, the EU allocated for the first time €40million to support public-public partnerships between EU public sector water providers and their counterparts in Africa, Caribbean and Pacific.

In May 2012 the EC published the 2012 European Report on Development “Confronting scarcity: managing water, energy and land for inclusive and sustainable growth” (http://www.erd-report.eu/erd/report_2011/index.html) This includes some criticism of private sector performance in water and other sectors, and positive references to “public-public partnerships (PuPs)”:

“....PuPs generally have lower costs [than PPPs] and a greater focus on capacity-building and equity. Partnerships with local actors can also improve services by allowing more flexible approaches to meet the needs of different households. In particular, the involvement of civil society and community groups helps to improve services for poor households. A key conclusion is that governments should have a choice of partnership options and be able to end any that are not working.” (5.3.2.3)⁶⁵

It also includes some more critical remarks on the impact of the private sector on water resources, for example the initiatives of the Water Resources Group, which includes the IFC, Coca-cola and other multinationals:

“It is as yet not possible to make an objective evaluation of the potential of such consortia to positively, or at least impartially, influence water resource management and planning. Public

⁶⁴ EA 2009 Water resources strategy: Alternative ways to allocate water <http://publications.environment-agency.gov.uk/PDF/GEHO0109BPK-E-E.pdf>

⁶⁵ EC 2012 European Report on Development “Confronting scarcity: managing water, energy and land for inclusive and sustainable growth” http://www.erd-report.eu/erd/report_2011/index.html

information on the type of advice offered or conclusions reached in the three countries is not readily available. The companies and governments concerned may wish to make transparency a priority, in order to help establish whether these potentially significant interventions are in the special interest of the firms concerned, or serve the broader public interest of sustainably managed, equitably distributed water resources.” (10.5.1)

and:

“The impact of these private-sector schemes is difficult to assess, and there is very little robust evidence of impact. ... Given the public-good nature of this evidence base, and the importance of independent verification (i.e. not necessarily financed by the participating businesses), there appears to be a strong justification for public (or donor) subsidisation of this kind of research.” (10.5.4)

3.7.1. European Commission funding for public-public partnerships

In 2010 the EU earmarked €40 million of development money under the ACP-EU Water Facility to support water partnership projects between EU public water operators and public water operators in African, Caribbean and Pacific countries. Just over half the money has now been allocated. A report on the successful projects will appear in autumn 2012.

Annexe A A note on water taxation

Taxing water resources can be a ‘green tax’ which encourages lower consumption of water. It is preferable to pricing water by creating water trading, because the level and scope of taxes is politically determined, not fixed by those with market power. It can be applied differently to household, industrial, commercial, agricultural users, and take account of ‘return flows’ e.g. of household used water, water used by power stations, or locations of particular scarcity. The rate can differ from one area to another, according to the local scarcity of water resources. The tax can be used to finance environmental regulation and other expenditure on infrastructure to manage water, as well as reduce demand to environmentally acceptable levels.⁶⁶

Few countries at present charge for, or tax , water resources, apart from the administrative costs of licenses. This means that the water itself is effectively free, with no economic incentive for users to reduce use. This fits with the view that water in its natural state is a “gift of nature or God”; it also fits with the view that taxation on factors of production should be minimised.⁶⁷

Netherlands and Denmark levy taxes on water abstraction: in both cases agriculture is exempt, and in Denmark production industries are also exempt. In Germany there are taxes at regional level, which are treated as a form of ‘green tax’, as part of general tax revenues.⁶⁸ An abstraction tax on industry was introduced in Jordan.⁶⁹

The ‘green’ effect of such taxes comes from their success in reducing the amount of water abstracted. In the Netherlands, the tax effectively increased the cost of groundwater by over 200%, although this still left it cheaper than using surface water. Industrial consumption of groundwater fell by between 2% and 12% as a result of the tax – the effect on household consumption is not known.

A study of the potential impact of water charges in South Africa found that if charges were introduced on irrigated agriculture and specifically on mining “there can be a triple dividend of water policy, simultaneously reducing water scarcity, improving economic growth/reducing unemployment, and reducing poverty.”⁷⁰

China in 2004 introduced a system of raw water charges of 0.06RMB (about 1 US cent) per m³based on the principle that it should be priced as a commercial good. A policy paper also called for introducing a water resource fee whose level would vary according to the degree of water scarcity. In Guizhou province in 2007 there were different charges according to use (industrial, municipal, hydro-electric, agriculture etc: the highest fees are applied to bottled water manufacturers), charges for groundwater were double those for surface water, and groundwater abstraction in over-exploited areas was subject to an especially high deterrent charge.⁷¹

	Surface water	Ground water	
Municipal/household	0.04	0.08	

⁶⁶ Stephen Merrett (1999): The Political Economy of Water Abstraction Charges, Review of Political Economy, 11:4, 431-442 <http://dx.doi.org/10.1080/095382599106904>

⁶⁷ Stephen Merrett (1999): The Political Economy of Water Abstraction Charges, Review of Political Economy, 11:4, 431-442 <http://dx.doi.org/10.1080/095382599106904>

⁶⁸ European Commission 2001 Study on Environmental Taxes and Charges in the EU Final Report: Ch6: Water Abstraction 200 http://ec.europa.eu/environment/enveco/taxation/pdf/ch6water_abstraction.pdf

⁶⁹ Stephen Merrett (1999): The Political Economy of Water Abstraction Charges, Review of Political Economy, 11:4, 431-442 <http://dx.doi.org/10.1080/095382599106904>

⁷⁰ Anthony Letsoalo et al 2007 Triple dividends of water consumption charges in South Africa WATER RESOURCES RESEARCH, VOL. 43, W05412, doi:10.1029/2005WR004076, 2007

<http://www.mi.uni-hamburg.de/fileadmin/fnu-files/publication/tol/RM3701.pdf>

⁷¹ Lijin Zhong · Arthur P. J. Mol 2010 Water Price Reforms in China: Policy-Making and Implementation Water Resour Manage (2010) 24:377–396 DOI 10.1007/s11269-009-9451-0
<http://www.springerlink.com/content/g0223v211qx1j554/fulltext.pdf>

Others (inc farmers)	0.05	0.10	
Industrial	0.06	0.12	
Bottled water producers	0.07	0.14	
in regions of over-exploited groundwater		2.00	

Source: from Zhong et al 2010⁷²

⁷² Lijin Zhong · Arthur P. J. Mol 2010 Water Price Reforms in China: Policy-Making and Implementation Water Resour Manage (2010) 24:377–396 DOI 10.1007/s11269-009-9451-0
<http://www.springerlink.com/content/g0223v211qx1j554/fulltext.pdf>

Annexe B: EBRD investments in private municipal infrastructure 1991-2009

Sector: Municipal and environmental infrastructure; Type: private

<http://www.ebrd.com/downloads/research/annual/invest09.xls>

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Romania	Regional investment	Veolia Voda	Capital increase following a previous equity investment.	2009	700	0	700	0	700
Russia	Regional investment	Veolia Voda	Capital increase following a previous equity investment.	2009	69,300	0	69,300	0	69,300
Tajikistan	Direct investment	Direct Lending Facility	Investment in vehicles for a public transport company.	2009	1,734	1,734	0	0	1,734
Bulgaria	Direct investment	Hebros Bus Urban Transport	Loan to Hebros Bus to finance fleet renewal and expansion.	2009	8,174	5,874	0	0	5,874
Hungary	Regional investment	Aqualia Investment Venture	Equity in a new company that invests in water concessions and acquires other privately held water groups.	2009	16,327	0	8,000	0	8,000
Moldova	Regional investment	Aqualia Investment Venture	Equity in a new company that invests in water concessions and acquires other privately held water groups.	2009	8,163	0	4,000	0	4,000
Poland	Regional investment	Aqualia Investment Venture	Equity in a new company that invests in water concessions and acquires other privately held water groups.	2009	24,490	0	12,000	0	12,000
Romania	Regional investment	Aqualia Investment Venture	Equity in a new company that invests in water concessions and acquires other privately held water groups.	2009	24,490	0	12,000	0	12,000
Russia	Regional investment	Aqualia Investment Venture	Equity in a new company that invests in water concessions and acquires other privately held water groups.	2009	65,306	0	32,000	0	32,000

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Slovak Republic	Regional investment	Aqualia Investment Venture	Equity in a new company that invests in water concessions and acquires other privately held water groups.	2009	16,327	0	8,000	0	8,000
Ukraine	Regional investment	Aqualia Investment Venture	Equity in a new company that invests in water concessions and acquires other privately held water groups.	2009	8,163	0	4,000	0	4,000
Kazakhstan	Direct investment	Shymkent Vodokanal	Loan to a private water utility in Shymkent to upgrade the water and wastewater system.	2009	5,548	5,548	0	0	5,548
Russia	Direct investment	Taganrog District Heating Company	Finance for rehabilitation and upgrade of district heating infrastructure in Taganrog.	2008	5,057	5,057	0	0	5,057
Russia	Direct investment	Russian Communal Systems	Financing for consolidation of Russia's largest private municipal operator.	2008	43,473	43,473	0	0	43,473
Russia	Direct investment	Rosvodokanal	Loan to finance rehabilitation and upgrade of the water and wastewater infrastructure.	2008	396,010	34,321	0	0	34,321
Russia	Direct investment	Novogor Prikamie	Support for municipal water and wastewater system in Perm.	2008	34,321	17,160	0	0	17,160
Latvia	Direct investment	E-Energia	Equity investment in E-energija, which provides heat and hot water services to both residential and industrial customers in Lithuania and Latvia and is considering expanding its operations into Ukraine.	2007	6,000	6,000	0	0	6,000

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Lithuania	Direct investment	E-Energia	Equity investment in E-energija, which provides heat and hot water services to both residential and industrial customers in Lithuania and Latvia and is considering expanding its operations into Ukraine.	2007	1,500	1,500	0	0	1,500
Russia	Direct investment	Taganrog Teploenergo	Equity participation to support the upgrade of district heating infrastructure increase energy efficiency.	2007	3,739	1,869	1,869	0	3,739
Ukraine	Direct investment	E-Energia	Equity investment in E-energija, which provides heat and hot water services to both residential and industrial customers in Lithuania and Latvia and is considering expanding its operations into Ukraine.	2007	7,500	7,500	0	0	7,500
Czech Republic	Regional investment	Véolia Voda	Equity investment in Véolia Voda enabling it to expand in central and eastern Europe, Russian and Ukraine.	2007	27,300	0	27,300	0	27,300
Hungary	Regional investment	Véolia Voda	Equity investment in Véolia Voda enabling it to expand in central and eastern Europe, Russian and Ukraine.	2007	8,400	0	8,400	0	8,400
Poland	Regional investment	Véolia Voda	Equity investment in Véolia Voda enabling it to expand in	2007	29,400	0	29,400	0	29,400

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
central and eastern Europe, Russian and Ukraine.									
Russia	Regional investment	Véolia Voda	Equity investment in Véolia Voda enabling it to expand in central and eastern Europe, Russian and Ukraine.	2007	25,200	0	25,200	0	25,200
Slovak Republic	Regional investment	Véolia Voda	Equity investment in Véolia Voda enabling it to expand in central and eastern Europe, Russian and Ukraine.	2007	7,350	0	7,350	0	7,350
Ukraine	Regional investment	Véolia Voda	Equity investment in Véolia Voda enabling it to expand in central and eastern Europe, Russian and Ukraine.	2007	7,350	0	7,350	0	7,350
Latvia	Regional investment	E-Energia	Equity investment in E-energija, which provides heat and hot water services to both residential and industrial customers in Lithuania and Latvia and is considering expanding its operations into Ukraine.	2007	1,650	0	1,650	0	1,650
Lithuania	Regional investment	E-Energia	Equity investment in E-energija, which provides heat and hot water services to both residential and industrial customers in Lithuania and Latvia and is considering expanding its operations into	2007	1,650	0	1,650	0	1,650

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Ukraine.									
Ukraine	Regional investment	E-Energia	Equity investment in E-energija, which provides heat and hot water services to both residential and industrial customers in Lithuania and Latvia and is considering expanding its operations into Ukraine.	2007	1,700	0	1,700	0	1,700
Poland	Direct investment	Dalkia Litesko	Additional equity financing for Dalkia Lodz for the acquisition of the district heating company.	2005	7,406	0	7,406	0	7,406
Czech Republic	Regional investment	Véolia Transport (formerly Connex)	Equity funding to expand transport services.	2005	47,048	0	15,298	0	15,298
Hungary	Regional investment	Véolia Transport (formerly Connex)	Equity funding to expand transport services.	2005	47,048	0	15,298	0	15,298
Poland	Regional investment	Véolia Transport (formerly Connex)	Equity funding to expand transport services.	2005	47,048	0	15,298	0	15,298
Slovak Republic	Regional investment	Véolia Transport (formerly Connex)	Equity funding to expand transport services.	2005	47,048	0	15,298	0	15,298
Poland	Direct investment	Dalkia Multi-Project Facility	Acquisition of ZEC Lodz, a district heating and cogeneration utility in Lodz.	2004	219,441	0	39,120	0	39,120
Slovak Republic	Direct investment	EU/EBRD Municipal Finance Facility	Credit line for on-lending to small and medium-sized municipalities and their utility companies.	2004	32,500	0	0	8,000	8,000

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Hungary	Direct investment	Dalkia Prometheus	Additional investment in energy service company.	2004	13,179	0	1,179	0	1,179
Poland	Direct investment	Dalkia Multi-Project Facility II	Privatisation of ZEC Poznan, the combined heat and power plant in Poznan.	2004	50,835	0	4,235	0	4,235
Poland	Direct investment	Dalkia Poznan	Isolation of the EBRD's 10 per cent equity stake in the company.	2004	9,173	0	9,173	0	9,173
Lithuania	Direct investment	Dalkia Litesko	Equity investment in energy service company.	2003	3,674	0	3,674	0	3,674
Bulgaria	Regional investment	International Water United Utilities	Acquisition of three water utility companies.	2003	13,688	0	4,988	0	4,988
Estonia	Regional investment	International Water United Utilities	Acquisition of three water utility companies.	2003	30,680	0	11,180	0	11,180
Poland	Regional investment	International Water United Utilities	Acquisition of three water utility companies.	2003	2,832	0	1,032	0	1,032
Hungary	Direct investment	Dalkia Prometheus	Provision of energy services to private and municipal clients.	2003	2,972	0	572	0	572
Hungary	Direct investment	MOL Duna waste-water treatment plant	Expansion and upgrade of waste-water treatment facilities at MOL's Duna refinery.	2003	37,119	12,327	0	0	12,327
Russia	Direct investment	St Petersburg south-west waste-water treatment plant	Completion of waste-water treatment plant, reducing pollution in the Gulf of Finland.	2003	192,856	33,726	0	0	33,726
Poland	Direct investment	Dalkia Multi-Project Facility II	Privatisation of ZEC Poznan, the combined heat and power plant in Poznan.	2003	20,000	0	7,000	0	7,000

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Romania	Direct investment	Apa Nova water treatment plant	Completion of water treatment plant in Bucharest.	2002	165,099	65,357	0	0	65,357
Estonia	Direct investment	Tallinn Water privatisation	Financing for post-privatisation investment programme to facilitate private sector involvement in water and waste-water services.	2002	172,798	54,999	0	0	54,999
Poland	Direct investment	Dalkia Multi-Project Facility II	Privatisation of ZEC Poznan, the combined heat and power plant in Poznan.	2002	94,748	21,748	0	0	21,748
Czech Republic	Direct investment	Dalkia Usti Nad Labem	Refinancing of existing bonds in combined heat and power (CHP) plant.	2001	70,438	19,056	0	0	19,056
Croatia	Direct investment	Zagreb waste-water treatment plant	Construction and operation of waste-water treatment plant.	2001	326,709	42,200	0	0	42,200
Bulgaria	Direct investment	Sofia water system concession	Improvement of water and waste-water services, addressing leakage, drinking water quality and effluent standards.	2000	146,761	39,113	0	0	39,113
Czech Republic	Direct investment	Harpen district heating	Modernisation of district heating services and the provision of hot water.	2000	41,125	16,171	0	0	16,171
Czech Republic	Direct investment	Brno waste-water treatment plant	Extension and upgrade of the Brno-Modrice waste-water treatment plant.	1999	82,799	27,500	0	0	27,500
Romania	Direct investment	Dalkia ESCO Romania	Establishment, acquisition or expansion and operation of energy service companies (ESCOs).	1999	17,558	0	1,880	0	1,880

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Slovenia	Direct investment	Maribor waste-water concession	Construction of waste-water treatment plant.	1999	47,363	14,800	0	0	14,800
Hungary	Direct investment	CGE multi-project facility	Improvement of financial and operational performance and facilitation of private sector involvement in sewerage services.	1998	37,956	11,469	0	0	11,469
Hungary	Direct investment	Budapest waste-water services	Partial privatisation of Budapest Municipal Sewerage Company.	1998	37,956	11,469	0	0	11,469
Lithuania	Direct investment	Dalkia Litesko	Equity investment in energy service company.	1998	12,750	2,896	1,448	0	4,344
Czech Republic	Regional investment	Environmental Investment Fund	Support for companies undertaking environment-related projects in the infrastructure sector.	1997	4,400	0	1,000	0	1,000
Hungary	Regional investment	Environmental Investment Fund	Support for companies undertaking environment-related projects in the infrastructure sector.	1997	2,200	0	500	0	500
Poland	Regional investment	Environmental Investment Fund	Support for companies undertaking environment-related projects in the infrastructure sector.	1997	15,400	0	3,500	0	3,500
Poland	Direct investment	Dalkia Multi-Project Facility II	Privatisation of ZEC Poznan, the combined heat and power plant in Poznan.	1997	28,825	3,604	1,201	0	4,805
Hungary	Direct investment	Dalkia Prometheus	Investment in energy service companies.	1997	28,924	12,899	3,225	0	16,124

Country	Type of investment	Project name	Description	Year of signing	Total project value (€ 000)	EBRD loan (€ 000)	EBRD equity (€ 000)	EBRD guarantee (€ 000)	Total EBRD finance (€ 000)
Slovak Republic	Direct investment	CGE multi-project facility	Construction of engineered landfill.	1997	2,556	1,023	0	0	1,023
Slovak Republic	Direct investment	Dalkia Termotech	Establishment, acquisition or expansion and operation of energy service companies.	1996	10,786	1,552	310	0	1,863
Slovak Republic	Direct investment	FGG municipal services multi-project facility	Provision and financing of municipal and environmental services.	1996	10,556	3,148	0	0	3,148
Hungary	Direct investment	Dalkia Prometheus	Investment in energy service companies.	1995	3,786	3,786	0	0	3,786

ANNEXE C: Privatised water operations in EECA (former Soviet Union)

Source: OECD, December 2009

Operator	Owner of operator	Service territory	Population residing within the service area (ths. people),	Ground for selection of operator	Contract description				Investments
					Type of contract	Contract start year	Contract end year	Expected contract period	
Armenia									
Yerevan Water, CJSC	Veolia Water	Yerevan and 32 neighboring rural settlements	1100	Competition	Lease agreement	2006	2016	10	Plan: Euro 9.1 million of Operator's own funds within the contract period
Armenian Water and Sewerage Company, CJSC	SAUR	37 towns and 280 rural settlements	619	Competition	Contract for management	2005	2010	4 + 2	n/a
Lori Water Sewerage , CJSC	Consortium of MVV Decon, MVV Energie, and AEG Service	1 town and 16 rural settlements	375	Competition	Contract for management	2009	2012	3 + 1	n/a
Shirak Water Sewerage, CJSC		2 towns и 35 rural settlements							n/a
Nor Akunq, CJSC “		2 towns и 9 rural settlements							n/a
Russia									
Amur Utility Systems, OJSC	RCS, OJSC	Blagoveshchensk	223	Owner's decision	Lease agreement	2003	2013	10	n/a
Kirov Utility Systems, , OJSC		Kirov	502	Owner's decision	Lease agreement	2004	2019	15	n/a
Novogor-Prikamie, LLC		Perm	982	Owner's decision	Lease agreement	2003	2052	49	n/a
Novogor-Prikamie, LLC		Berezniki	250	Competition	Lease agreement	2005	2035	30	n/a
Novogor-Prikamie, , LLC		Krasnokamsk	52	Owner's decision	Lease agreement	2006			n/a

Operator	Owner of operator	Service territory	Population residing within the service area (ths. people),	Ground for selection of operator	Contract description				Investments
					Type of contract	Contract start year	Contract end year	Expected contract period	
Petrozavodsk Utility Systems, , OJSC		Petrozavodsk	266	Owner's decision	Lease agreement	2005	2025	20	n/a
Tambov Utility System, OJSC		Tambov	294	Owner's decision	Lease agreement	2003	2028	25	n/a
Barnaulsky Vodokanal, LLC	Rosvodokanal, LLC	Barnaul	650	Owner's decision	Lease agreement	2005	n/a	n/a	n/a
Kaluzhsky Oblast Vodokanal, LLC		Kaluga Oblast	1 003	Owner's decision	Lease agreement	2006	n/a	n/a	n/a
Krasnodar Vodokanal, LLC		Krasnodar	711	Owner's decision	Lease agreement	2005	n/a	n/a	n/a
Omskvodokanal, OJSC		Omsk	1 140	Owner's decision	Lease agreement	2007	n/a	n/a	n/a
Orenburgvodokanal, LLC		Orenburg	526	Owner's decision	Lease agreement	2003	n/a	n/a	n/a
Tvervodokanal, LLC		Tver	409	Owner's decision	Lease agreement	2007	n/a	n/a	n/a
Tyumenvodokanal, LLC		Tyumen	600	Owner's decision	Lease agreement	2005	n/a	n/a	n/a
Vodokanal of Rostov-on-the-Don, OJSC	Evraziyskiy, OJSC	Rostov Oblast	1 062	Competition	n/a	2006	n/a	n/a	n/a
Yugvodokanal, LLC		Krasnodarsky Krai	1 147	n/a	n/a	2006	n/a	n/a	n/a
Georgia									
AO "Tbilvodokanal"	Veolia Water	Tbilisi	1093	Competition	Lease agreement	2001	Agreement is early terminated	5	n/a
Georgian Water and Power	Multiplex Solutions			Competition	Privatization	2007	WSS facilities have been privatized	Plan: USD 350 million	
Kazakhstan									

Operator	Owner of operator	Service territory	Population residing within the service area (ths. people),	Ground for selection of operator	Contract description				Investments	
					Type of contract	Contract start year	Contract end year	Expected contract period		
TOO "Water resources – Marketing"	TOO "Water Resources – Marketing"	Shymkent	534		WSS facilities owned by Operator					n/a
The "Oskemen-Vodokanal" governmentally owned enterprise	"IR-Group"	Ust-Kamenogorsk	287	Competition	Trust management agreement	2004	Agreement was early terminated in 2007.	25	n/a	
The "Almaty Suy" Joint Venture	Vivendi Water	Almaty	1200		Concession agreement	2001	Agreement has been terminated	30	Plan: USD 100 million from all sources of funding	
Ukraine										
Infoxvodokanal	Infox, LLC	Odessa	1001	Owner's decision	Lease agreement	2004	Agreement was early terminated in 2008.	49	Plan: Euro 44 million during the agreement validity period, including Euro 19 million in 2006-2008 Fact: Euro 9 million in 2006-2008 (47% of planned investment)	
Water Services, LLC	Water Services, LLC	Kirovograd	258	Owner's decision	Lease agreement	2006	Agreement was early terminated in 2008.	49	n/a	
Lugansk Water Company, LLC	Rosvodokanal, LLC	Lugansk Oblast	2409	Competition	Concession agreement	2008	2033	25	n/a	
Kyrgyzstan										
The City of Kant Vodokanal	OOO "Marketing-Service"	Kant	23	Owner's decision	Lease agreement	2007	2007	3	n/a	
Uzbekistan										
The "Suvokova" Bukhara city industrial state enterprise	Veolia Water	Bukhara	247	Competition	Contract for management	2003	Agreement was early		Plan: USD 62.3 million during the	

Operator	Owner of operator	Service territory	Population residing within the service area (ths. people),	Ground for selection of operator	Contract description				Investments contract period
					Type of contract	Contract start year	Contract end year	Expected contract period	
The “Suvokova” Samarkand city industrial state enterprise		Samarkand	412				terminated in 2007.		



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