



Corporate Profile

Suez

July 2005

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Introduction

“Water is an efficient product. It is a product which normally would be free, and our job is to sell it.” **Gérard Mestrallet, Current CEO of Suez**

Stemming from the original company that built the Suez Canal and the French water company Lyonnaise des Eaux, Suez provides energy, water and waste services and, to a lesser extent, communications services. Along with Vivendi and RWE, Suez is one of the world's largest water/sewer/energy infrastructure privateers. They are involved in the provision of these services at the municipal level, including building and operating waste water treatment plants, hydro electric plants, along with water and sewer systems. The company claims to be committed to “delivering the essentials of life”, however in dozens of contracts involving Suez and its subsidiaries, customers have had to deal with rising service bills, limited access to services, broken promises, corruption scandals and polluted water sources. In some cases Suez' financial mismanagement has nearly brought the company to ruin (see the case of Argentina below).

Regardless of their dubious performance on many contracts and allegations of bribery and corruption, Suez has been able to attain dozens of large contracts in Europe and around world. This might seem incredible considering the number of controversies surrounding the company over the years. However, Suez' numerous connections to high level politicians in Europe and links with powerful international agencies such as the United Nations and the World Bank have led them to numerous lucrative contracts. Suez has been able to capitalize on the strategy of public private partnerships put forward by agencies of the United Nations and a number of international development banks and in some ways has actually contributed to drafting policies recommending privatization.

Their success during the age of forced neoliberal structural adjustment on debt ridden national governments can be attributed to their ability to achieve close ties with the right people in the right institutions. They have succeeded in their self-promotion as the best answer for delivering water to those in this world who are the most vulnerable and in need of infrastructure. The result is more often than not, unaffordable water, limited service areas and incredibly high profits for Suez' Paris based corporate masters.

This profile uncovers the extent of Suez' political and institutional connections as well as provides a detailed snapshot of the group's operations and financial situation. Divided into 5 sections, the profile covers Suez's operations, economic situation, political connections, social and environmental track record and finally the company's institutional holders.

The purpose of the profile is to look at many aspects of Suez's operations and dealings from a critical perspective. The information provided here will act as a tool for dissecting and analyzing certain parts of Suez in order to discern its strengths and vulnerabilities. The profile presents strategic information and intelligence for corporate campaigns.

1. Organizational Profile

Suez employs 185,300 people worldwide

Suez stock trades on the New York Stock Exchange: SZE – To track PepsiCo's stock price please visit: <http://finance.yahoo.com/q?s=sze>

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Suez is ranked 80th on Fortune magazines list of the world's 500 largest corporations

1.1 Suez' operations

What does this corporation do?

Suez and its many subsidiaries provide private energy, water and sanitation services to 205 million individual and 485,000 industrial clients worldwide. The company sells utility services to 3,000 municipalities everyday.

Suez breaks their operations into two major business segments: Energy and Environment. The company's business is carried out by four operating divisions, three under the umbrella of Energy and the remainder with Environment¹ (for a list of Suez' major subsidiaries operating in the company's four divisions go to Appendix 2):

Radical Restructuring

2002 saw the start of a period of transition for Suez. Suez initiated a radical restructuring of their operations in order to deal with financial losses and to 'reduce risks exposure'. They have since shed a number of businesses from the company and turned their focus onto their two main businesses segments Energy and Environment. In the process, Suez reorganized their key business lines into 4 main operating divisions.

Energy

- Electricity & Gas Europe
- Electricity & Gas International
- Industrial & Energy Services

Environment

¹ Suez 2003 annual report form 20 F, http://www.suez.com/documents/english/SUEZ_20F_2003.pdf

- Suez Environment² - The various operations of Suez Environment come under the following four operating divisions: Water Europe; Waste Services Europe; Water and Waste Services International; and Degrémont.

Operational capacity³

Suez is made up of a large number of subsidiaries, all of which have different roles in the corporation. Suez' subsidiaries are awarded and perform contracts around the world. These subsidiaries, while carrying a different name, are managed and represent the parent company Suez. The following breaks outline the capacities of Suez' business segments and profiles the operations of some of the subsidiaries aligned with each section.

Energy – Suez' energy and its subsidiaries are involved in the following operations:

- Sale and trading of electricity and natural gas
- Generation of electricity and heat
- Construction, management and maintenance of transport and distribution networks for electricity and natural gas
- Liquefaction, transport and regasification of liquefied natural gas (LNG)
- Local management of energies and fluids
- On-site outsourcing services
- Design, construction and maintenance of installations
- Energy, industrial and information technology systems process engineering⁴

Energy subsidiaries

Electricity & Gas Europe (EGE) – The activities of EGE represented approximately EUR12.7 billion in revenue in 2003 and employed approximately 16,000 people. Some of Suez' subsidiaries involved in this sector include:

Electrebel: Electrebel is part of Tractebel, Suez' energy services business – Netherlands, Belgium, Portugal, France, Italy, Germany, Hungary, Poland
Distrigas: Belgium

Distrigas and Fluxys: Created as a result of the separation of Distrigas' distribution and gas trading operations.

Electricity and Gas International – The activities of EGI represented approximately EUR4.5 billion in sales in 2003 and employed approximately 4,300 people. Some of Suez' subsidiaries involved in this sector include:

Tractebel EGI: TRACTEBEL Electricity and Gas International (EGI) is the SUEZ business line responsible for the company's energy services activities outside Europe – TRACTEBEL EGI has

² Due to the sale of Ondeo Nalco, Suez' former water service provider for industries and business, the original 2003 breakdown of Environment into Environment Local Services and Environment Industrial Services has changed.

³ For information on the operations of more of Suez' subsidiaries around the world visit the following websites (Suez' stake in each of these corporations is listed in the Apendices): <http://www.electrabel.com>, <http://www.electrabel.fr>, <http://www.distrigas.be>, <http://www.fluxys.net>, <http://www.egi.tractebel.com>, <http://www.tractebelusa.com>, <http://www.tractebelenergy.com>, <http://www.tractebelenergia.com.br>, <http://www.litoral-gas.com>, <http://www.tractebel.com.pe>, <http://www.electroandina.cl>, <http://www.glow.co.th>, <http://www.adwea.com/gttpc/>, <http://www.hjcgas.com>, <http://www.engineering.tractebel.com/>, <http://www.axima.com>, <http://www.elyo.com>, <http://www.axima.com>, <http://www.endel.fr>, <http://www.fabricom.be>, <http://www.fabricom-gti.com>, <http://www.gti.nl>, <http://www.groupe-ineo.com>

⁴ *ibid*

operations in the following countries: Argentina, Brazil, Chile, China, Laos, Mexico, Peru, South Korea, Thailand, Turkey, United Arab Emirates, USA

Tractebel Energia: Tractebel Energia is responsible for Tractebel EGI's electrical power production in Brazil. Tractebel has suspended investment in Brazil for the last two years claiming that current policies put the company in an unfair position by forcing it to compete with state-controlled generators. The company will not invest further until they are satisfied on government policies.⁵

Glow and Coco: The Glow Group represents Tractebel's energy related investments in Thailand.

Industrial & Energy Services – IES activities represent approximately EUR9.4 billion in revenue in 2003 and employed approximately 68,100 people. Some of Suez' subsidiaries involved in this sector include:

Fabricom: Provides short-term electrical and mechanical facility services for large projects intended for industrial companies. Fabricom operates in Austria, Belgium, England, France, Germany, Norway, Spain, and Switzerland.

Tractebel Energy Services Inc.: Suez' energy services business in the United States.

Tractebel Engineering: Tractebel Engineering is responsible for engineering activities throughout the world.

Environment – Suez' water and waste services activities merged in 2003 to form Suez Environment. Suez Environment designs and manages production and distribution systems for drinking water and sanitation, engineers sanitation facilities, and provides a range of industrial water-related services. They also provide waste services to municipal and business customers. Suez Environment serves industrial and individual customers along with local governments around the world.

Suez Environment's operations are primarily run through subsidiaries Ondeo, SITA, Degrémont and United Water Resources. Some of their operational capacities include:

- Management of drinking-water and sanitation services
- Design, construction and operation of water-treatment plants (drinking water, desalination, wastewater, sludge treatment)
- Complete management of the industrial water cycle
- Waste collection, sorting and recycling
- Biomass and waste-to-energy conversion (composting, incineration, manuring, recycling)
- Landfill disposal of household and industrial waste
- Urban and industrial waste management

For its local customers, Suez Environment manages public water resources, and then undertakes to distribute them, collect wastewater and then collect, sort, store and recycle the waste. Suez claims that it supplies 125 million people around the world with water or sanitation and 75 million with waste services. As this profile illustrates there have been problems associated with a number of Suez contracts involving poor service, quality issues and cancelled contracts.

Suez Environment also serves commercial customers.

Environment

⁵ Hall, D., "Electricity in Latin America, 2004", Public Service International Research Unit, July 2004, <http://www.psiru.org/reports/2004-07-E-Latam.pdf>

Suez environment performs 75% of its operations in the European Union. Outside of the EU, Suez Environment is active in 27 countries, but is primarily focused on Central Europe and six countries, the United States, Argentina, Chile, Brazil, Morocco and China. Suez Environment sells its services under the international brands Ondeo, Degrémont and SITA.

Degrémont: Degrémont is Suez' water treatment plant specialist. Degrémont has been awarded hundreds of contracts around the world and has offices in Argentina, Australia, Belgium, Brazil, Canada, Chile, China, Denmark, Egypt, France, Germany, India, Indonesia, Italy, Mexico, Portugal, South Africa, Spain, Switzerland, and United Kingdom.

Ondeo: Ondeo is Suez's water services division active through the entire water cycle including: production, treatment, distribution of drinking water; purification of waste water and sludge recycling; Collection and treatment of rainwater; and management of water resources.

SITA: Sita offers services in all waste segments including: Waste collection, sorting, treatment and recycling for local municipalities, consumers and manufacturers; material, energy and agricultural waste recycling; urban cleanup and sanitation; and industrial waste services.

United Water: United Water is Suez' main US based subsidiary. UW provides water and wastewater services to 7 million people in the United States. In addition to owning and operating regulated utilities, United Water operates municipal systems through public-private partnerships and contract agreements.

1.2 Customers

Suez's customers are broken into two groups: municipal and individual customers; and business customers. The company believes that the continued deregulation and privatization of services will help them with their "long-term development potential".⁶ In the energy sector, Suez sees a huge potential for growth in Europe with continuing deregulation that they say will give them access "to all residential customers from January 1, 2007".⁷

In 2003, Suez sold Ondeo Nalco, their main provider of services to business customers. Suez still, however, sees a potential for growth in providing services to business and industrial customers through services such as facilities management.⁸

1.3 International activities⁹

The following is a list of some of Suez' recent contract and transaction activity around the world over the past two years, including major acquisitions and divestments with an emphasis on the company's water services operations. The list provides context into the size and scope of Suez' operations as well shows some of the company's customers:

January – June 2005: Africa – Since the beginning of 2005 Suez Environment subsidiary Degrémont has won seven contracts for building and operating water treatment facilities in Algeria, Congo, Morocco, Nigeria and Tanzania. The contracts are worth over 100 million euros.

⁶ Suez 2003 annual report form 20 F, http://www.suez.com/documents/english/SUEZ_20F_2003.pdf

⁷ *ibid*

⁸ *ibid*

⁹ The majority of the information listed here is taken from press releases published on Suez' website. To access all of Suez' press releases follow this link: <http://www.suez.com/finance/english/actualites/index.php>

All of the contracts received extensive financing from international financial institutions including the World Bank, the European Investment Bank and French or other development funds.¹⁰

- **Algeria** – Five-year EUR 38 million design, build and operate contract for a drinking water facility in Taksebt. The project will supply water for parts of Algiers. Degrémont will be working for Canadian company SNC Lavalin which holds the contract for Algeria's Agence Nationale des Barrages (national reservoirs agency).
- **Algeria** – Five-year EUR 24 million design, build and operate contract for a drinking water facility in Athmania. This project will be financed by the Islamic Development Bank and will supply water to the city of Constantine.
- **Congo** – Degrémont has been contracted by the Kinshasa water authority to rehabilitate 2 existing water production facilities. The EUR 7 million project will be funded by the World Bank.
- **Morocco** – Five-year design, build and operate contract for a wastewater treatment plant in Marrakech. The contract is worth EUR 9 million. Degrémont will be working for RADEEMA, the Marrakech water and electricity authority and the European Investment Bank will finance the project.
- **Nigeria** – The Water Corporation of Oyo State has contracted Degrémont to upgrade 3 drinking water production facilities in Ibadan. The contract is worth EUR 13 million and will be financed by the African Development Bank.
- **Tanzania** – Degrémont won a contract to design, build and operate a drinking water facility in Mwanza for the Mwanza Urban & Sewerage Authority. The EUR 15 million contract will be partly financed by the European Development Fund (80%) and the German fund KfW (20%).
- **Tanzania** – The Dar Water & Sewerage Authority awarded Degrémont a EUR 7 million contract to upgrade 3 of Dar Es Salaam's water production facilities. The European Investment Bank will finance the project.

April 2005: Australia – Degrémont was chosen by Western Australia's Water Corporation to design, build and operate a seawater desalination plant. The plant will be designed and built as a 50-50 joint venture between Degrémont and the Australian engineering firm Multiplex Engineering Pty Ltd. Degrémont will operate the plant for 25 years. The contract is worth EUR 380 million.¹¹

February 2005: Chile – Degrémont was awarded a contract by Chile's second largest copper producer and exporter Minera Escondida Limitada (57% controlled by Australian mining giant BHP Billiton) to design and build a seawater desalination plant to supply the Antofagasta copper mine in northern Chile. The contract is worth US \$28 million.¹²

October 2004: Mexico – Suez' joint venture BAL-ONDEO with Mexican partner Penoles, was awarded a 5 year contract extension from Mexico City's municipal water company SACMEX. The extension represents a cumulated sales turnover of more than 80EUR million. BAL_ONDEO was originally awarded the contract in 1994.¹³

October 2004: China – In October 2004, in the presence of French President Jacques Chirac and Chinese President Hu Jintao, CEO Gérard Mestrallet signed a public-private partnership agreement for the construction of a new drinking water plant in Qingdao. The partnership, which

¹⁰ "Degrémont wins African contracts worth 100 million euros", Suez press release, June 3, 2005,

<http://www.suez.com/finance/english/actualites/detail.php?id=1368&pg=year&anneeteq=2005>

¹¹ "Degrémont (Suez Environment) wins EUR380 million 25-year desalination contract in Australia", Suez press release, April 18, 2005, <http://www.suez.com/finance/english/actualites/detail.php?id=1353&pg=year&anneeteq=2005>

¹² "Degrémont to build the largest desalination plant in northern Chile, to supply the Antofagasta copper mine", Suez press release, February 15, 2005, <http://www.suez.com/finance/english/actualites/detail.php?id=1313&pg=year&anneeteq=2005>

¹³ "Suez Environment has its water services contracts renewed for 5 years by Mexico City", Suez press release, October 13, 2004

involves two contracts, will employ Degrémont to build the water treatment plant while the Qindao French Water Co., Suez' local subsidiary, will operate the plant for 25 years.¹⁴

September 2004: Argentina – Suez' Argentinean subsidiary Aguas Argentinas agreed to with the municipality of Berazategui, near Buenos Aires, to finally build a sewage treatment plant which was supposed to be built by 1998. The plant will be built to prevent further water contamination and is slated to begin construction in 2005 and to be completed by 2008. The investment cost should reach EUR88 million and will be paid for by a fund based on higher water service rates.¹⁵

September 2004: China – Suez Environment, through its joint venture, Sino-French Water Development was awarded a 35 year EUR 15 million water concession contract for the Tanggu district. Suez estimates that sales for the total period of time could eventually total more the EUR 1 billion. The contract will supply an estimate population of nearly one million inhabitants.¹⁶

June 2004: Canada – Degrémont signed a EUR80 million wastewater treatment contract with the Halifax Regional Municipality to build three wastewater treatment facilities. The construction of the plants will be performed by Degrémont and Dexter; a Halifax based Canadian construction company.¹⁷

June 2004: Mexico – A consortium of companies¹⁸, including Degrémont, won a EUR 263 million 18 year contract to build and operate wastewater treatment plant in the city of San Luis Potosi. Suez says that “the contract fits in with measures introduced by government in the early 1990s to encourage private investment and promote the development of infrastructure”. The Mexican government will subsidize 30% of construction costs.¹⁹ Degrémont has built and now runs 11 other facilities in Mexico.

June 2004: Russia – Degrémont was selected by the German water supplier WTE Wassertechnik GmgH, to build and run an ultrafiltration unit as part of the South-West Moscow drinking water plant. The plant is designed to provide 1 million people with water.²⁰

March 2004: United States/Bahamas – Tractebel North America, a unit Suez subsidiary Tractebel Electricity and Gas International, was given final approval by the Federal energy Regulatory Commission (FERC) in the US to construct own, operate and maintain a 67 kilometre jurisdictional pipeline from the Bahamas to the US. The proposed pipeline, known as the Tractebel Calypso Pipeline, will transport natural gas from a planned liquefied natural gas facility in Freeport, Grand Bahama to Port Everglades in Florida.²¹

March 2004: Morocco – Suez Environment was awarded a 10 year EUR 120 million contract for the management of Casablanca's waste services. Suez already manages drinking water, sanitation, and electricity services for the city.²²

¹⁴ “Suez Environment signs a new 25-year public-private partnership agreement for water services with Qingdao, China”, Suez press release, October 11, 2004

¹⁵ “Suez Group's Aguas Argentina to build water purification station in Buenos Aires”, Europe Environment, October 1, 2004

¹⁶ Suez Press Release, “SUEZ Environnement wins a 35-year water concession for Tanggu, China”, September 14, 2004, <http://www.suez.com/finance/english/actualites/detail.php?id=1262&pg=year&anneeteq=2004>

¹⁷ Suez Press Release, “Degrémont signs the Halifax Bay wastewater treatment contract valued at EUR 80 million”, June 16, 2004, <http://www.suez.com/finance/english/actualites/detail.php?id=1209&pg=year&anneeteq=2004>

¹⁸ The consortium includes, Degremont, Sumitomo Corporation and Prodin, a group of local civil engineering firms

¹⁹ Suez Press Release, “Degremont Wins Major Water Re-Use Contract in Mexico”, June 3, 2004,

<http://www.suez.com/upload/up1201.pdf>

²⁰ Ibid

²¹ Suez Press Release, “Tractebel Calypso Natural Gas Pipeline Receives Federal Approval”, March 24, 2004, [Http://www.suez.com/finance/english/actualites/detail.php?id=1163&Pg=Year&Anneeteq=2004&F=1](http://www.suez.com/finance/english/actualites/detail.php?id=1163&Pg=Year&Anneeteq=2004&F=1)

²² Suez Press Release, “Casablanca (Morocco) awards contracts for waste collection for 1.2 million inhabitants and urban cleaning in the city center to SITA”, March 1, 2004,

<http://www.suez.com/finance/english/actualites/detail.php?id=1146&pg=year&anneeteq=2004>

February 2004: United Kingdom – Suez' energy and technical services subsidiary, Elyo services Ltd., was awarded a 5 year EUR 21 million contract extension by British Airways for the operation and maintenance of the transfer baggage facility at London's Gatwick Airport.²³

February 2004: Peru – Energia del Sur (EnerSur), a wholly owned subsidiary of Tractebel, was granted a 30 year concession for the central Peruvian Yuncan hydropower plant and transmission facility by the Government of Peru after an auction. The agreement gives EnerSur exclusive rights to operate the plant and sell the energy it generates.²⁴

January 2004: Germany – Suez environment was awarded a 25 year EUR 27.7 million per year contract to manage water and wastewater for the municipality of Cottbus in eastern Germany. The company will be paid Eur27.7 million annually.²⁵

January 2004: Puerto Rico – The government of Puerto Rico and Ondeo cancelled a 10 year, \$4 billion water and wastewater contract for the management of the entire Puerto Rico Aqueduct and Sewer Authority (PRASA), including 133 water treatment facilities, 68 wastewater treatment facilities, 7,700 miles of water distribution pipelines, 3,900 miles of wastewater collection pipelines, 30 customer service centres, and nearly 6,000 employees.²⁶ The cancellation of the contract followed Ondeo's request for \$93 million more from the Caribbean island's government to compensate for, what they saw, was inaccurate information about the state of the aqueduct and sewer system.²⁷

December 2003: Jordan – Infilco Degrémont, Suez environment's North American water treatment specialist, along with its 50:50 joint venture partner Morganti USA, were awarded a 25-year contract to provide for the Jordanian capital's entire wastewater needs. The joint venture will be responsible for the design and construction and operations of the Khirbet As Samra wastewater treatment plant and the extension and conformity of the Ain Ghazal pre treatment plant.²⁸

October 2003: Curaçao – Degrémont, Suez Environment's water treatment specialist, was awarded a EUR 24 million contract to build a desalinization plant designed to supply local populations with drinking water.²⁹

June 2003: Singapore – Ondeo has until December to decide if it will back out of a joint venture, in which it has a 30% stake, with Hyflux Ltd. to build, operate and own a desalination plant in Singapore by late 2005. Ondeo and Hyflux were awarded the contract in January 2003 under which the Singaporean government is committed to buying 7.5 million gallons of water per day at 78 Singaporean cents per cubic metre, which, according to one press release, is a worldwide record low price for desalinated water.³⁰ While Ondeo remains optimistic that it would still

²³ Suez Press Release, "Elyo Services (SUEZ) negotiates contract for 21 million euros with British Airways", February 23, 2004, <http://www.suez.com/finance/english/actualites/detail.php?id=1132&pg=year&anneeteq=2004>

²⁴ Suez Press Release, "EnerSur has been awarded a 30 year concession for operating the Yuncan Hydro Power Plant", February 6, 2004, <http://www.suez.com/finance/english/actualites/detail.php?id=1125&pg=year&anneeteq=2004>

²⁵ Suez Press Release, "Cottbus (Germany) chooses SUEZ ENVIRONNEMENT to manage the City's water and wastewater services", January 19, 2004, <http://www.suez.com/finance/english/actualites/detail.php?id=1105&pg=year&anneeteq=2004>

²⁶ Suez Press Release, "Ondeo Wins the world's largest O&M water services contract in Puerto Rico", May 2, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=853&pg=arch>

²⁷ Canute, J., "Puerto Rico, Ondeo cancel Dollars 4bn deal", Financial Times, January 15, 2004.

²⁸ Suez Press Release, "Degrémont signs a 25-year contract to provide for Greater Amman's (Jordan) entire wastewater treatment needs", December 10, 2003, <http://www.suez.com/finance/english/actualites/detail.php?id=1089&pg=year&anneeteq=2003>

²⁹ Suez Press Release, "Degrémont selected in Curacao (Dutch Antilles) to design-build a seawater desalination plant using reverse osmosis", October 2, 2003, <http://www.suez.com/finance/english/actualites/detail.php?id=1065&pg=year&anneeteq=2003>

³⁰ Lin, Pang Ai "Singapore Hyflux CEO: France's ONDEO may exit water project" Dow Jones Newswire, June 6, 2003.

participate in the project through engineering and construction contracts, Hyflux has stated that Ondeo would stand to lose these opportunities if they gave up their stake.

June 2003: Germany – Suez decided not to place a bid to buy Gelsenwasser AG (Gelsenkirshen-based), a German water utility serving 5 million people, leaving RWE as one of the major contenders.³¹ Gelsenwasser had revenues of EUR 351 million and profits of EUR 44.9 million in 2002. Suez would reportedly have to invest EUR 1 billion, a large investment considering their current strategy of divesting.³²

June 2003: United States, Louisiana – United Water has said that it will most likely not continue in the bidding process to operate the city of New Orleans' water and sewer systems, a 20-year contract valued at US\$1.5 billion.³³ Faced with heavy public opposition to privatization, the City abandoned its initial call for bids in October 2002, and has released a second bid proposal for public comment. Only United Water, USFilter and OMI/Thames, as well as the city's own public employees, are qualified to enter the second round of bids. United Water has said that it is pulling out because it is unhappy with the fact that the public has to approve the contract by a referendum – viewed as being “harmful to the interests of the water management industry.”³⁴ It is speculated that rumours of USFilter having an inside lead from the start may be playing a significant part, as well as United Water's recent failure in Atlanta – a contract worth only 1/3 of the New Orleans contract.

June 2003: United States, Idaho – A \$12 million water treatment plant slated to be open in 2004 will be delayed until June 2005.³⁵ The plant being built by United Water will serve southeast Boise residents with an initial capacity of 6 million gallons per day. Citing extremely high costs, the delay comes after United Water had the plans redesigned for a much smaller plant, in engineering terms.

June 2003: Canada – Halifax cancelled its contract with Suez's United Water (a North American subsidiary), valued at Cdn\$465 million, to run the City's water sewage treatment plant. The cancellation came after the company refused to take responsibility for future failures in meeting environmental standards. The company was instead hoping to force taxpayers to pay for the costs of environmental cleanups.³⁶ Touted as one of its largest North American contracts, Suez shares fell more than 6% after news of the contract cancellation.³⁷

May 2003: United Kingdom – Suez sold 75% of its full share of Northumbrian Water to a group of 20 institutional investors in a sale valued at EUR 2.2 billion; Suez remains the largest stakeholder with a 25% share, thus maintaining its investment potential in the UK water market.³⁸ According to their press release, the decision to sell was based on improving cash flows and improving an average rate of return on capital employed in their European operations (increased to 13.5% from 9% after the sale), with a net debt reduction of EUR 3.1 billion. Suez CEO, Gerard Mestrallet, at the annual shareholder's meeting in April, had stated that the UK-regulated water

³¹ Gauthier-Villars, David “Veolia eyes Gelsenwasser but unlikely to bid on it” *Dow Jones Newswire*, June 24, 2003.

³² Gauthier-Villars, David, and Mathilde Richter “Veolia, Suez thirsty for German water but short of cash” *Dow Jones Newswire*, June 5, 2003.

³³ Carr, Martha “Water woes in Atlanta a cautionary tale for N.O.: Privatizing doable, not cure-all, city told” *Times-Picayune (New Orleans, LA)*, June 29, 2003.

³⁴ *ibid*

³⁵ Anderson, Steven “United Water of Idaho to go ahead with plant construction project” *Idaho Business Review (Boise, Idaho)*, June 30, 2003.

³⁶ “Halifax Flushes P3 Deal With Suez” *Canadian Union of Public Employees*, June 23, 2003, www.cupe.ca/www/309/ART3ef75ce772d7e

³⁷ “Suez Shares Plunge After Abandoning Key Canadian Water Contract” *TerraDaily*, Agence France-Presse, June 24, 2003, www.terradaily.com/2003/030624115459.eypgavke.html

³⁸ “Suez sells 75% of Northumbrian Group and achieves a new milestone in implementation of the Action Plan 2003-2004” *Suez Press Release*, May 17, 2003.

market limits profitability as it requires water companies to be owners as well as operators, with an associated commitment to continued investment.³⁹

May 2003: United States, New York – The state's decision to shut down a water treatment plant, which previously served a disability home, has initiated a proposal by United Water New York to operate it to augment Rockland's water supply. Rockland has been suffering from severe water shortages for several years, factors blamed on continuing development and droughts, and United Water has been looking for other sources to tap. The treatment plant would add about 1 to 1.5 million gallons per day to the water United provides in the area. United Water added that the treatment plant would be too expensive for the government to run.⁴⁰

March 2003: Vietnam – Suez backed out of a water contract awarded to them in July 2001 for Vietnam's first build-operate-transfer water treatment plant in Ho Chi Minh City. The company blamed a "global financial pitch" for its withdrawal and Vietnamese authorities announced they would reopen the tender process solely to Vietnamese water companies.⁴¹ The contract, backed by the Asian Development Bank, offered water at 29 cents per cubic metre.

March 2003: United States, New York – UW is building a US\$9 million water treatment system using new technology. The new plant will augment the water it supplies to 90% of Rockland residents by filtering more than 10 million gallons daily from the Lake DeForest reservoir.⁴²

March 2003: South Africa – Ondeo Nalco sold its share of Ondeo Nalco South Africa to its South African partner, Chemical Services Ltd.⁴³ The joint venture pertained to water treatment and process chemical services in some sub-Saharan countries. Ondeo Nalco will still participate in the venture through a 10 year agreement to license water treatment technologies.

February 2003: Clarkstown, New York – The town of Clarkstown gained control of 458 acres of conservation land near the Lake DeForest reservoir owned by United Water.⁴⁴ In exchange, the company would realize a 50 % reduction in its taxes on the land - It would reduce its town taxes by \$44,836, its county taxes by \$11,404 and its taxes to the Clarkstown, Nanuet, and Nyack schools by a total of \$125,737. The agreement was voted on by the Town Board on very short notice and with no public consultation.

February 2003: Philippines – The Manila water and sewage concession held by Maynilad was terminated, of which Suez owns 20% directly and 3.35% indirectly through its 16.75% ownership of LAWL (who itself has a 20% stake in Maynilad); BenPres owns 60% of Maynilad.⁴⁵ MWSS (Metropolitan Waterworks and Sewerage System) had earlier refused a request to increase water rates once again and the termination was based on a lack of substantial profit.⁴⁶ Maynilad intends to claim damages in court. For updates on Maynilad please visit: http://www.polaris institute.org/polaris_project/water_lords/News/index.html

January 2003: Italy– Ondeo Italia and ACEA S.p.A. gain a 20 year water concession to serve 800,000 residents in the Pisa region of Tuscany in a contract with a projected EUR 1.2 billion in revenues.⁴⁷

³⁹ Gauthier-Villar, David "Suez Chairman doesn't rule out sale of UK Northumbrian" Dow Jones Newswire, April 25, 2003.

⁴⁰ Incalcaterra, Laura "Plant's shutdown thwarts water plan" *The Journal News (Westchester County, NY)*, May 17, 2003.

⁴¹ Cohen, Margaret "FEER(5/15) No red tape for Vietnam's water project to succeed" *The Far Eastern Economic Review*, May 7, 2003, <http://www.wsj.com>

⁴² Lerner, Jane "United Water to get new \$9m system" *The Journal News (Westchester County, NJ)*, March 9, 2003.

⁴³ Willets, Susan "Ondeo Nalco to sell South African interest" Dow Jones Newswire, March 26, 2003.

⁴⁴ Walsh, James "Clarkstown Votes for Watershed Control" *The Journal News (Westchester, NY)*, February 26, 2003.

⁴⁵ "Maynilad (SUEZ) terminates its water concession business in Manila" Suez Press Release, February 7, 2003.

⁴⁶ "The French (Water) connection" *Manila Standard*, November 8, 2002

⁴⁷ "With two new successes, SUEZ and Acea strengthen their partnership in Italy" Suez Press Release, January 31, 2003

January 2003: United States, Georgia – Atlanta dissolves Suez –owned United Water’s contract that was supposed to have been in effect until 2019. A Suez press release states that it was due to the fact that “no agreement was reached that met Suez’s profit criteria” – they claimed to be losing \$10 million annually on a \$22 million per year contract.⁴⁸ Atlanta is going back to using what might appear to be a more costly public system, however, the intangible benefits, such as having efficient and reliable service, are what prompted city officials to make the decision.⁴⁹ Atlanta revenues represented about 4% (\$20 million US) of Suez’s United Water revenues in the United States.

January 2003: Brazil – Aguas do Amazonas, in which Suez is a major stakeholder, receives a US\$19 million loan from the national development bank BNDES.⁵⁰ Aguas do Amazonas has a 20 year concession contract in Manaus in the state of Amazonas.

November 2002: Toronto, Ontario – Toronto City councillors admitted to having secretly met with representatives of United Water, including United Water Canada president, Eric Cunningham. Both United Water and City councillors claimed not to “remember” details of the meetings. The issue was raised at the culmination of a year-long struggle between the City and Toronto residents on a proposed arms-length water board, which residents felt was a step towards privatization of their water system.⁵¹

October 2002: Paris, France – Ondeo Degrémont is awarded two contracts to build a nitrogen removal unit in Acheres and operate the Seine Amont wastewater treatment facility in Valenton. According to a Suez press release, “the two contracts are a further endorsement by SIAAP [the Paris wastewater treatment authority] of Ondeo Degrémont’s position as the leading specialist in the design and construction of wastewater treatment plants and also in plant operation.”⁵²

August 2002: Saudi Arabia – Safège, an Ondeo subsidiary, won a contract as the main consultant engineer in Mecca, Saudi Arabia for its water and wastewater project. The project will build a new water and wastewater system for Mecca province, and Safège will provide ‘ project management assistance’ over the next 10 years.⁵³

August 2002: United States – Ondeo acquired U.S. Water (from Bechtel and United Utilities) for \$40 million US. U.S Water currently operates 40 contracts in small and medium sized markets. Current U.S. Water contracts include wastewater in Springfield, Massachusetts and water services in Camden, New Jersey.⁵⁴

July 2002: Mexico – Ondeo took over Azurix’ s contracts in Mexico in a 50/50 partnership with Mexican company Penoles. This includes a 30-year water services contract in Cancun (where the hotel industry makes up over 60% of Ondeo’ s income); a water services contract covering a major part of Mexico City, including more than half of its population; and 3 contracts in Leon, Torreon and Matamoros. The acquisitions cost approximately \$93 million US, but are expected to

⁴⁸ “SUEZ and Atlanta reach a mutual dissolution agreement for the City’s drinking water services contract” Suez Press Release, January 9, 2003

⁴⁹ “Jehl, Douglas “USA: Privatized Water Deal Collapses in Atlanta” *New York Times*, February 10, 2003, www.corpwatch.org/news/

⁵⁰ Hall, David “Water Multinationals in Retreat – Suez Withdraws Investment” Public Service International Research Unit (PSIRU), January 2003, www.psir.org/reports/2003-01-W-Suez.doc

⁵¹ Lakey, Jack “Private firms eye water system” *The Toronto Star*, November 18, 2002

⁵² Suez Press Release, “Ondeo Degrémont (SUEZ Environnement) wins two major contracts in the Paris region worth 125 million euros”, October 22, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=937&pg=arch>

⁵³ Suez Press Release, “Safège (Ondeo) : Saudi Arabia launches an ambitious €10 billion project to meet the water and wastewater requirements of Mecca”, August 6, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=907&pg=arch>

⁵⁴ Suez Press Release, “Ondeo (SUEZ) acquires U.S. Water to strengthen its leadership position in North America”, August 1, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=905&pg=arch>

garner \$70 million US per year in total revenue, and 60% of the Cancun money will be returned in US currency used by the hotel owners.⁵⁵

July 2002: France – Suez sold its stake in the French satellite TV company TPS, as a continued move towards focusing on its three global businesses - energy, water and waste services.⁵⁶

July 2002: Brazil – Tractebel, Suez' s energy division, won a 35 year concession to build, own and operate a hydroelectric plant (Estreito) in Brazil. Tractebel is to be 30% owner.⁵⁷

June 2002: Peru – Tractebel acquired two state owned electricity generation companies, EGASA and EGESUR for \$167.4 million following an auction in Lima. The generation companies are located in the Arequipa, Moquegua, and Tacna regions.⁵⁸

Anti-Privatization Protests in Peru

Widespread protests broke out, especially in Arequipa, after the sale of two state owned electricity generation companies to Tractebel in June 2002. The protests also targeted President Toledo for reneging on a campaign pledge to not privatize Peru' s utilities. The protests resulted in the calling of a state of emergency (suspension of right of assembly, curfew), military intervention, and the death of one young university student, Edgard Pinto.⁵⁹ At the time opinion polls indicated that just 17% of the population supported the government' s privatization efforts, which is due in large part to IMF pressure to reduce the deficit. The sale was eventually suspended due to the protests and entered the Supreme Court of Arequipa to decide whether the sale should proceed. Amid the controversy and protests, Tractebel withdrew their offer to buy the companies in January 2003, attributing their decision to the protracted disputes over the privatization of public services in the Southern Regions of Arequipa and Tacna.⁶⁰

May 2002: China – Ondeo won a contract for 30 years in Qingdao, China to supply drinking water to 2.3 million residents in the city (the city has a population of 7 million) for the next 25 years. It also won contracts to reconstruct two water treatment plants in Shanghai (in Nanshi and Yangshupu). Qingdao is to be the water sports centre for the 2008 Summer Olympics, which Ondeo interestingly called "a determining factor for the city' s choice of Ondeo Services given the company' s previous experience of water management in Atlanta, Barcelona, Albertville and Sydney."⁶¹

May 2002: Peru – Tractebel won a 30 year gas distribution contract in Lima, Peru, to build and operate the gas network. This is a part of an overall transportation and distribution contract for Camisea gas awarded to TGP, a consortium of which Tractebel is an 8% owner.⁶²

⁵⁵ Suez Press Release, "Ondeo (SUEZ) consolidates its leadership on the North American water market by taking over the Azurix contracts in Mexico", July 10, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=887&pg=arch>

⁵⁶ Suez Press Release, "SUEZ sells its stake in TPS", July 18, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=893&pg=arch>

⁵⁷ Suez Press Release, "Tractebel wins concession for Estreito greenfield hydroelectric project in Brazil", July 12, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=891&pg=arch>

⁵⁸ Tractebel Press Release, "Tractebel acquires two Peruvian generation companies EGASA/EGESUR", June 14th, 2002

⁵⁹ Lama, A., "Protests, unrest spread in wake of privatizations", Inter Press Service, June 18th, 2002

⁶⁰ "Tractebel Gives up on Peru Purchases", Latin America Weekly Report, January 21, 2003

⁶¹ Suez Press Release, "Ondeo strengthens its leading position in China's water market with a 25-year EUR 430 million contract in Qingdao and its 3rd Shanghai contract", May 22, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=865&pg=arch>

⁶² Suez Press Release, "Tractebel wins 30 years gas distribution concession in Lima, Peru", May 3, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=856&pg=arch>

April 2002: China – Ondeo signed an agreement to supply and manage the drinking water services for the city of Chongqing, encompassing a municipality with over 30 million inhabitants (China's 4th largest city and the largest in the west of China)⁶³

February 2002: Burkina Faso, Senegal – ONDEO Degrémont to build and operate water production installations in Senegal and Burkina Faso. In Senegal, it is to design and operate a drinking water and pumping plant at Keur Momar-Sarr and in Burkina Faso, it is to construct a new drinking water construction plant at the Ziga Dam in Ouagadougou.⁶⁴

1.4 Suez executives

Suez does not disclose the salaries awarded to its top executives. The executive committee is made up of 13 men and 1 one woman. It does not appear that Suez's executive team has any visible minority representation despite their substantial corporate presence in the global south.

Gérard Mestrallet – Chair of the Board and Chief Executive Officer

Jean-Pierre Hansen – Chief Operating Officer and in charge of Electricity and Gas Europe (EGE)

Gérard Lamarche – Senior Executive Vice President and Chief Financial Officer

Emmanuel Van Innis – Executive Vice President of Human Resources

Dirk Beeuwsaert – Executive Vice President of Electricity and Gas International (EGI)

Jérôme Tolot – Executive Vice President Operational Assistance and Chief Executive Officer of Fabricom

Valérie Bernis – Executive Vice President of Communications. From 1986 through 1988, Bernis served as Special Press Advisor in the French Ministry of Economics, Finance and Privatization.

Yves-Thibault De Silguy – Senior Executive Vice-President of International Affairs and Institutional Relations and Chair of Aguas Argentinas. De Silguy is a former European Commissioner.

Patrick Buffet – Senior Executive Vice President, Business Strategy and Development

Jean-Louis Chaussade – Executive Vice President, Suez Environment

Henry Masson – Group Senior Vice President, Risk Organization and Central Services

Patrick Quart – Secretary

Yves De Gaulle – General Secretary

1.5 Board of Directors⁶⁵

The business and affairs of Suez are managed under the direction of the Board of Directors. The Board of Directors can exercise all the powers of the Corporation, except for those reserved to the stockholders.

Edmond Alphandéry (French) – Alphandéry is a former French politician having served as Minister of the Economy from March 1993 to May 1995. He sits on the board of directors of CNP Assurances, Crédit Agricole, Indosuez and Affiches Parisiennes.

Antonio Brufau (Spanish) – Brufau, a former Arthur Anderson executive, is the chief executive officer of the 'la Caixa' Group (Spain) and holds directorships at various Spanish corporations.

René Carron (French) – Carron is Chair of the Board of Directors of Crédit Agricole SA and holds various other positions with the corporation. He is also a former mayor of Yenne.

⁶³ Suez Press Release, "Ondeo (SUEZ) and the City of Chongqing sign a pioneering 30 year framework agreement for water services", April, 26, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=846&pg=arch>

⁶⁴ Suez Press Release, "Ondeo (SUEZ) wins two new contracts in Africa", February 20, 2002, <http://www.suez.com/finance/english/actualites/detail.php?id=782&pg=arch>

⁶⁵ All information regarding Suez' board of directors is taken from the company website, <http://www.suez.com/groupe/english/organisation/index.php>

Gerhard Cromme (German) – Cromme is the Chair of the supervisory board of ThyssenKrupp AG. He sits on the board of directors of Deutsche Lufthansa AG and BNP-Paribas.

Etienne Davignon (Belgian) – Since the early 1960s, Davignon has held positions in Belgium of Principle Private Secretary to the Foreign Minister (1964-1969), Chairman of the International Energy Agency Management Committee (1974-1977), Vice-Chair of the European Community Commission (1981-1985) and Chair of the Royal Institute of International Relations. He joined the Société Générale de Belgique in 1985 and served as Chair from 1988 until 2001. When Société Générale merged with Tractebel he became Vice-Chair of Suez-Tractebel.

Paul Desmarais Jr (Canadian) – Desmarais is the Chair of the board and co-chief executive officer of Power Corporation of Canada.

Lucien Duroux (French) – Duroux is chair of the Banque de Gestion Privée Indosuez.

Albert Frère (Belgian) – Member of the International Advisory Board of Power Corporation of Canada.

Jean Gandois (French) – Gandois is the Vice Chairman of the Suez' board of directors, Gandois also serves on the board of directors of Danone.

Jacques Lagarde (French-US) – Lagarde has been Director of the Lyon Business School, CEO of Gillette France, President of Oral-B Laboratories (USA), Chairman of the Management Board of Braun AG (Germany) and Executive Vice President of The Gillette Company (USA).

Anne Lauvergeon (French) – In 1990 Lauvergeon joined the office of the French President, and in 1991 was appointed Deputy General Secretary. She is presently the Chair of the Areva Group Executive Board.

Jean Payrelelade (French) – Payrelelade holds positions as the director of Bouygues and the Société Monégasque de L'Electricité et du gaz in France.

Thierry de Rudder (Belgian/French) – de Rudder, a former Citibank executive, is the Executive Director of Groupe Bruxelles Lambert.

Jean-Jacques Salane (French) – Salane joined Lyonnaise de Eaux in 1972 and was a member of the board of Directors between 1990 and 1996. He has also served on various workers' councils within the company.

Lord Simon of Highbury (British) – This former chair of British Petroleum, has occupied various ministerial positions in the British Government eventually becoming an advisor to the British Prime Minister for the modernization of government. He was also appointed advisor to President Podi for the reform of the European Union.

2. Economic Profile

2.1 Financial data

All figures in Euros	2004	2003	% Change
Revenues	40.73 billion	39.62 billion	2.8%
Net Income	1.80 billion	(2.16) billion	183%

[Source: Suez' 2004 Annual Report]

Revenues by Sector

All figures in euros	2004	2003	%Change
Energy	29.33billion	26.63 billion	10.1%
Environment (excluding Nalco)	11.40 billion	12.31 billion	(7.3)%
Other	0	677 million	
Total	40.73 billion	39.62 billion	2.8%

[Source: Suez' 2004 Annual Report]

Revenues by Geographic Region

All figures in euros	2004	2003	%Change
Domestic Markets	22.38billion	21.22 billion	5.5%
France	9.46 billion	9.75 billion	(3.3)%
Belgium	12.92 billion	11.47 billion	12.6%
International	18.35billion	18.39 billion	(.2%)
Other European countries	10.03 billion	10.38 billion	(3.3)%
North America	3.88 billion	3.88 billion	0
South America	1.95 billion	1.70 billion	14.9%
Asia and Oceania	1.90 billion	1.86 billion	1.9%
Africa	577.1million	561 million	2.8%
Total	40.73 billion	39.62 billion	2.8%

[Source: Suez' 2004 Annual Report]

2.2 Radical restructuring: Suez' action plan

2002 saw the beginning of a period of transition for Suez. In order to deal with skyrocketing debt and mounting financial losses, Suez initiated a radical restructuring of their. They have since shed a number of businesses from the company and turned their focus onto their two main businesses segments Energy and Environment.

Suez began a program designed to reduce its activities in the communications business and increase its core operations profitability. The latter half of 2002 consisted of significant restructuring and debt reduction measures mainly due to the influence of the board, which directed CEO Mestrallet to undertake a review of its corporate strategy. In January 2003 it announced its *Strategic Action Plan 2003-2004* highlighting the following⁶⁶:

⁶⁶ Suez Press Release, "SUEZ introduces its 2003-2004 Action Plan: refocus, reduce debt, increase profitability", January 9, 2003, <http://www.suez.com/finance/english/actualites/detail.php?id=970&pg=year&anneeteq=2003>

Reduced risk exposure (measured by capital employed) – by more than 1/3 in “emerging countries” by 2005. Focus primarily on Franco-Belgian markets, then Europe and North America. This change was prompted, in part by the company’s EUR 822 million loss - 643 million related to the Argentinean crisis – due to currency devaluations in 2002.⁶⁷ Suez plan to focus on markets in the North was also influenced by the realization that there were limits on how far government regulatory structures would give in to their demands for rate hikes designed to deal with currency devaluations.⁶⁸ In 2003 Suez reduced their exposure in the South by nearly 30% or from EUR 10.3 billion at the start of 2002 to EUR 6.2 billion at the end of 2003.⁶⁹

Reduction of debt by 1/3 – by June 30, 2002, the debt was EUR 28.2 billion. Plan to achieve goal through focusing on activities with good risk/return ratios and enhanced cash flow, and disposing of activities with low profitability potential. The company cut their debt in half to EUR 13.9 billion by the end of 2003.⁷⁰

Slowdown of investments – from a EUR 8 billion yearly average to about EUR 4 billion by as early as 2004, favouring quickest cash flow generating contracts and currency risk-exempt financing (which developing countries can not readily provide).

Projects financed through their own cash-flow – Projects undertaken need to be capable of self-financing, meaning that investments will be made through the funds generated from the project itself. This could conflict with many water concession contracts that require a level of investment that is not dependant on profits generated within the project area⁷¹.

Streamlined, integrated organization – through reorganization of key divisions of Energy and Environment into four business lines each headed by a member of the executive committee.

In short, Suez adopted a policy of abandoning projects which are problematic, risky or not as lucrative – mostly in the developing countries. According to David Hall of Public Services International Research Unit, “this is a major policy reversal by the company which has led the globalization of private water operations, declaring that the mission to bring water to the poor is one that the company itself was committed to. It creates a difficulty for the World Bank and other IFIs whose strategies for the water sector depend on enticing the multinationals to increase their investment and participation. Instead, they are now faced with a two-year period in which the leading company is abruptly reducing its investment.”⁷²

He goes further to describe this ‘prepare to depart’ attitude as “challenging the very reasons for involving the private sector in such an essential public service – the capacity to take on risk, to bring in their own capital and to provide the ‘benefits’ of competition. As it turns out, these multinationals are unable to do any of this.”⁷³

The implications of this change in corporate strategy for Suez could be tremendous. This new strategy of risk aversion means not only reduced investment in the developing world, but greater demands for risk protection from IFIs (International Financial Institutions) and multilateral and government agencies. Examples of such corporate-backed schemes include the EU’s Water Fund and the Camdessus Report from the World Panel on Financing Water Infrastructure, released at the 3rd World Water Forum in Kyoto in March 2003. These schemes, through such

⁶⁷ Suez statements announcing 2002 results, March 6, 2003, <http://www.suez.com/upload/up1008.pdf>

⁶⁸ Public Citizen, “Suez: A Corporate Profile”, August 2003, <http://www.citizen.org/documents/profilesuez.pdf>

⁶⁹ Suez statements announcing 2003 results, March 4, 2004, <http://www.suez.com/upload/up1151.pdf>

⁷⁰ *ibid*

⁷¹ Hall, David “Water Multinationals in Retreat – Suez Withdraws Investment” Public Service International Research Unit (PSIRU), January 2003, www.psiru.org/reports/2003-01-W-Suez.doc

⁷² *ibid*

⁷³ *ibid*

mechanisms as currency devaluation protection (in light of the Argentinean crisis), effectively broaden the scope for the public sector to subsidize the private sector in order to guarantee profit.

2.3 Public relations/advertising

Suez uses its affiliations with international agencies like the United Nations and the World Water Council to project an image of a socially responsible and caring corporation. In some cases, as with the United Nations (see political profile), Suez is active in writing proposals and advising these agencies on topics dealing with access to water. Invariably, the reports recommend public private partnerships as the ideal way to ensure clean access to water for all. Suez is then left to wait for more municipalities to offer public utility contracts for public tender.

Suez also uses large advertising firms for specific advertising campaigns. Some of the firms the company has used in the past include:

BBDO – Electrebel in Belgium: Suez launched an advertising campaign in Belgium in anticipation of further energy deregulation. The slogan used by the company was “You’ve Got the Energy”. BBDO is a worldwide network of advertising agencies headquartered in New York City.

Edelman Public Relations – Ondeo: In early 2001, Suez launched a global branding campaign around its global water services division Ondeo. Using the slogan “The Premier Water Solutions Provider”, the New York based Blue Worldwide, a division of Edelman, published a series of French and international press advertisements for the re-branding campaign.⁷⁴

Ogilvy & Mather – Suez: Again in 2001, Suez launched a worldwide communications campaign to advertise the renaming of the company from Suez Lyonnaise des Eaux to Suez. Ogilvy & Mather worldwide worked on the campaign.⁷⁵

2.4 Lawsuits/fines⁷⁶

January 2005: Argentina – Suez’ Argentinian subsidiary Aguas Argentinas was fined \$666,000 US for interruptions to water supply in early January 2005 that affected thousands of residents around Buenos Aires. Aguas Argentinas has owes 20 million US in accumulated fines.⁷⁷

May 2003: Bergen County, New Jersey – United Water was found not guilty for damages caused to residents’ homes – some as much as \$70,000 - during a flood in September 2002. According to the 123 residents who filed the suit, United Water failed to open the floodgates to the Oradell Reservoir early enough during a storm and warn residents of the ensuing torrent that could threaten their safety. United Water claimed they did alert the county authorities and were unable to prevent the flooding.⁷⁸

Antitrust Lawsuits

- In September 2004, Belgian Economy and Energy Minister asked the Belgian power regulator to look into Tractebel’s control of gas transporter Fluxys. In early September Tractebel-Suez announced that it had purchased a further 16.67% stake in Fluxys and Distrigas from Shell Oil. The minister is concerned that Suez’ further stake in Fluxys and Distrigas, the wholesale gas company, may not be in the interest of the Belgian power

⁷⁴ “Suez Renames Global Water Services Arm”, Euromarketing, March 30, 2001.

⁷⁵ *ibid*

⁷⁶ For more information on lawsuits involving Suez please refer to Corruption section below on page 22

⁷⁷ “Argentina fines foreign-owned water, energy providers”, Agence France Presse, January 12, 2005

⁷⁸ Pochna, P., “Utility cleared of blame for tropical storm flooding” The Record (Bergen County, NJ), May 17, 2003.

market.⁷⁹ To escape further problems with Belgian regulators, Suez agreed with Belgian energy company Publigaz in October to jointly purchase the remaining 16.67% stakes in Fluxys and DISTRIGAZ.⁸⁰

- In September 2003 German Antitrust authorities raided the offices of dozens of German-based waste management companies, including Suez' SITA unit, on suspicion of antitrust and criminal activities in bidding for waste disposal contracts. Authorities suspected that the waste management companies had fixed bids for contracts from a German recycling company.⁸¹ As of February 2005 the outcome of this case is still pending.
- In July 2002, Suez and Vivendi Environment (now Veolia Environment) came under investigation by French antitrust authorities over the alleged abuse of their dominant position through various joint-ventures the companies have set up in a number of French cities.⁸² The French authorities asked the finance ministry for permission to re-examine Suez and Veolia's joint-venture subsidiaries and to dissolve them where they were found to hinder competition. In November 2004 Veolia appealed to France's highest administrative court, the Conseil d'Etat, against moves by regulatory authorities to reorganize their subsidiaries.⁸³

⁷⁹ "Belgian minister asks regulator to look at Suez buy of Fluxys", AFX European Focus, September 9, 2004

⁸⁰ "Publigaz, Suez-Tractebel buy Shell's stakes in DISTRIGAZ, Fluxys", AFX News Limited, October 27, 2004

⁸¹ Gassman, M., Harnischfeger, U., "Cartel office hits companies in crackdown on waste bids", The Financial Times, September 12, 2003

⁸² "French antitrust authority investigates water sector", Le Figaro, July 18, 2002

⁸³ "Veolia files complaint against competition authority's attack on joint ventures", Les Echos, November 19, 2004

3. Political Profile

3.1 Political connections

Suez is very well connected to the high levels of European governments and the European Union. The presence on the company's board of directors of former politicians and political advisors who have close ties to political leaders in Europe gives the company valuable access to important policy makers. This access, in turn, provides the Suez with incredible power in the formation of policies favourable to their corporate strategies. The following list outlines some of Suez' political links in Europe.

G rard Mestrallet – Suez Lyonnaise des Eaux CEO: Mestrallet has held positions with the French ministries of transport, economy and finance, and has been advisor on industrial affairs to the Minister of Finance. In November 2000 the Mayor of Shanghai appointed Mestrallet as an advisor to the International Business Leaders Advisory Council (IBLAC), a think-tank of 35 executives from major multinationals, which meet with the mayor of Shanghai on a yearly basis. This is a big development for Suez, as Suez and other water multinationals see China as one of the most important focus countries for setting up operations - especially since China' s accession to the WTO.⁸⁴

Edmond Alphand ry – Member of Suez' Board of Directors: Alphend ry is a former French politician having served as Minister of the Economy from March 1993 to May 1995.

Val rie Bernis – Executive Vice President of Communications: From 1986 through 1988, Bernis served as Special Press Advisor in the French Ministry of Economics, Finance and Privatization.

Michael Chesser – Chesser, the former CEO of United Water was a feature speaker at the recent United States Environmental Protection Agency conference "Closing the Gap: Innovative Solutions for America' s Water Infrastructure."The conference looked at options to meet the fiscal demands of managing water utilities.⁸⁵

Etienne Davignon – Member of Suez' Board of Directors: Beginning in the early 1960s, Davignon held different political positions in Belgium including, Principle Private Secretary to the Foreign Minister (1964-1969) and Chairman of the International Energy Agency Management Committee (1974-1977). From 1981-1985 Davignon was Vice-Chair of the European Community Commission.

Anne Lauvergeon – Member of Suez' Board of Directors: In 1990 Lauvergeon joined the office of the French President Francois Mitterand. In 1991 she was appointed Deputy General Secretary.

Lord Simon of Highbury (David Simon) – Member of Suez' Board of Directors: In 1997 Current British Prime Minister Tony Blair appointed Simon to the position of Minister for Trade and Competitiveness in Europe. The Queen agreed to confer a life peerage (title of nobility) upon Simon, in order to enable him to carry out his role. He eventually became an advisor to the British Prime Minister for the modernization of government. Simon has also worked as an advisor to European Union President Romano Prodi for the reform of the European Union. At the 2003 G8 summit in Evian, France, Prodi launched the European Union's Water Fund.

⁸⁴ Suez Press Release, "G rard Mestrallet appointed advisor to the Mayor of Shanghai", Suez Press Release, November 11, 2000.

⁸⁵ Environmental Protection Agency website, <http://www.epa.gov/water/infrastructure/pdf/WaterInfrastructureForumAgenda.pdf>

Yves-Thibault de Silguy – Senior Executive Vice-President of International Affairs and Institutional Relations and Chair of Aguas Argentinas: Before joining Suez in 2000 De Silguy had a long career as an advisor in the French government and at the European Union. de Silguy started his career at the French Ministry of Foreign Affairs where he mainly dealt with economic cooperation and financial affairs (GATT, North/South Conference, EEC matters and especially agriculture). After a first appointment with the European Commission, as adviser to the Vice-President Economic & Monetary Affairs, for three years he joined the French Embassy in Washington as Counsellor for economic affairs. Returning to France in 1986, Yves-Thibault de Silguy joined the staff of Prime Minister Jacques Chirac as an adviser on European and international economic affairs (1986-88). In April 1993, he was appointed to the Interministerial Committee on European Economic Cooperation as Secretary-General for two years and, at the same time, served as a counsellor to Prime Minister Edouard Balladur on European affairs, and notably for the preparation of G7 summits. In 1995 he was appointed European Commissioner in charge of the Economic, Monetary and Financial Affairs up until 1999. He joined Suez in 2000.

Jérôme Monod – Former Suez CEO: Monod has worked as chief of staff to French President Jacques Chirac.

3.2 Affiliations with big business associations and other international agencies

Big business associations are indispensable tools for corporations like Suez for public relations purposes and for their search for new markets. The following associations predominantly function as lobby groups for big business to convince national governments that the global water industry will be effective in managing water and sanitation services. Maude Barlow and Tony Clarke, authors of *Blue Gold: The battle against the corporate theft of the world's water*, note that organizations such as these appear “to be neutral...but a closer look reveals that these agencies promote the privatization and export of water resources and services through close links with global water corporations and financial institutions.”⁸⁶

World Water Council (WCC)⁸⁷ – Formed in 1996 the WCC sees itself as a think tank designed to provide decision makers with advice and assistance on global water issues.⁸⁸ The group is made up of 333 members from big water multinationals, professional associations, the United Nations, government water ministries, and financial institutions. The WCC played a major role in organizing the 2000 (The Hague) and 2003 (Kyoto) World Water Forums which promoted private-public partnerships as the only solution to the water crisis. René Coulomb, a former Suez director, sits on the WCC's board of governors while Suez is a member.

United Nations – Suez uses its numerous affiliations with number of different agencies of the UN to construct its image as a socially and environmentally conscious corporation. Some of their affiliations include:

- **United Nations Global Compact** – Suez is a participant in the Global Compact, the United Nations' effort to push for more corporate responsibility. The Global Compact sets out ten principles dealing with human rights, the environment and labour rights. While corporations can sign on to the pact by demonstrating their adherence to one or more of the principles, there is no system of monitoring compliance. The Global Compact also facilitates partnerships between UN agencies and large multinational corporations which

⁸⁶ Barlow, M., Clarke, T., “Blue Gold: The Battle Against the Theft of the World's Water”, Toronto: Stoddard, 2002, p. 157.

⁸⁷ For more information please visit the Polaris Institute's website:

http://www.polarisinstitute.org/polaris_project/water_lords/lobby_groups/wwc_gwp.html

⁸⁸ *ibid*

encourage corporations to join the compact instead of forcing the UN to hold potential corporate abusers accountable for their actions.⁸⁹

- **United Nations Educational Scientific and Cultural Organization (UNESCO)** – In 2002 Suez signed a cooperation with UNESCO designed to implement a number of different projects with the goal of ‘bridging the water divide’ and providing access to clean water for all. A UNESCO press release quoted Gérard Mestrallet saying that: “We think that access to safe water can be rapidly improved if we fully take advantage of all available resources and bring them together within public-private partnership contracts involving civil society”.⁹⁰ Suez stands to benefit from this type of partnership, not only from a public relations perspective, but from position that the company will be active in promoting private-public partnerships alongside an incredibly powerful and influential organization such as the UN.

CSR Europe – Suez is a member of CSR (corporate social responsibility) Europe while Gérard Kuster the company’s Corporate Senior Ethics Officer is on the board of directors and Director Etienne Davignon is the chair. CSR Europe is a European network of companies created in 1996 on the initiative of former European Commission president Jacques Delors and several CEOs of European companies. It is designed to promote greater corporate social and environmental responsibility among its membership of giant multinationals. The organization is also a privileged correspondent for European institutions, European employer representative organizations, trade unions and NGOs.

World Business Council for Sustainable Development (WBCSD) – The WBCSD is a coalition of 170 international companies which claim to be commitment to sustainable development through “economic growth, ecological balance and social progress”. The WBCSD’s mission is to “provide business leadership as a catalyst for change toward sustainable development, and to promote the role of eco-efficiency, innovation and corporate social responsibility”. The WBCSD is a notorious “greenwasher” responsible for presenting itself and its members as environmentally friendly and compassionate. It sees large corporations as the best avenue for ‘sustainable development’ and believes that companies like Suez should be the leaders in the meeting the United Nations’ Millennium Declaration Goals (MDGs) for water. Their website states: “There is an emerging consensus that governments need strategic alliances with business and other key stakeholders to meet these goals for water and sanitation”.⁹¹ Yves-Thibault de Silguy, Suez’ Senior Executive Vice-President of International Affairs and Institutional Relations and Chair of Aguas Argentinas, sits as a co-chair for the WBCSD’s Water Project. The group’s membership boasts such environmentally and socially responsible corporations as, British Petroleum, Chevron/Texaco and Shell.

World Bank - Suez met with World Bank Vice President for Latin America and the Caribbean David de Ferranti in Paris in July 2002 during a wider meeting between de Ferranti and French business people. The topic was crisis and regional integration, including how to deal with the meltdown in Argentina.⁹²

World Economic Forum (WEF) – The WEF’s mission is to advance neoliberal economic policies and the interests of its corporate members around the world. Two thousand political, business and academic elites meet annually in Davos Switzerland for WEF meetings where participants discuss the latest strategies to advance the group’s economic and political mission. The WEF takes credit for launching the Uruguay Round of the General Agreement on Trade and Tariffs

⁸⁹ The United Nations Global Compact vs. Corporate Accountability, Alliance for a Corporate Free UN, <http://www.earthrights.org/pubs/UNCompact.pdf>

⁹⁰ UNESCO Press Release, “Unesco And Suez Sign Cooperation Agreement To Improve Access To Safe Water”, October 13, 2002, http://portal.unesco.org/es/ev.php-URL_ID=6907&URL_DO=DO_TOPIC&URL_SECTION=201.html

⁹¹ World Business Council for Sustainable Development website, <http://www.wbcscd.org/templates/TemplateWBCSD5/layout.asp?type=p&MenuId=ODI&doOpen=1&ClickMenu=LeftMenu>

⁹² World Bank website, <http://wbln0018.worldbank.org/eurvp/web.nsf/Pages/France-Activities>

which led to the creation of the World Trade Organization.⁹³ Gérard Mestrallet and two other Suez executives are contributors to the World Economic Forum.

European Roundtable of Industrialists (ERT) – This exclusive group of close to 50 chairpersons and CEOs of some of Europe’s largest corporations has been a powerful force in European politics since it was founded in 1983. Suez CEO Gérard Mestrallet’s membership in the ERT gives his corporation privileged access to governments and the European Commission. This access gives Suez incredible power in shaping the political agenda of the European Union.⁹⁴

European Services Forum (ESF) – The ESF represents the interests of service industries across Europe. This influential lobby group represents Suez and its other members at World Trade Organization events. The ESF “strongly supports and encourages the movement to liberalize service markets throughout the world and to remove both trade and investment barriers”.⁹⁵

European Union – The EU Water Fund, unveiled in April 2003, proposes EUR 1 billion in water investments to be made in 77 former EU-member colonies of the developing world. The plan, while not explicit, involves using public funding to have private corporations, such as Suez, control water in developing countries. According to Corporate Europe Observatory, an industry watchdog, Suez had been one of the most active corporations working alongside the EU, especially as part of the EU Water Initiative working group.

Other affiliations:

Transatlantic Business Dialogue⁹⁶
International Office for Water⁹⁷
International Chamber of Commerce⁹⁸
World Commission for Water in the 21st Century
Global Water Partnership⁹⁹

3.3 Campaign contributions (through U.S. subsidiaries)¹⁰⁰

For the 2004 election cycle – US figures only (as of October 2004)

United Water – \$11,500 in Political Action Committee¹⁰¹ (PAC) contributions, 70% to Democrats, and 30% to Republicans.

Tractebel North America – \$17,500 in PAC Contributions, 37% went to Democrats and 63% to Republicans.

For the 2001-2002 election cycle – US figures only (as of late September 2002)

United Water – \$14,650 in PAC Contributions, much of which went to New Jersey Congresspersons, where United’s corporate office is located. 76% went to Democrats, while

⁹³ New Internationalist Magazine, “The Naked Lobbyist”, New Internationalist, No. 347, July 2002.

⁹⁴ *ibid*

⁹⁵ European Services Forum website, <http://www.esf.be/001/index.html>

⁹⁶ <http://www.tabd.com/>

⁹⁷ <http://www.oieau.fr/anglais/>

⁹⁸ <http://www.iccwbo.org/>

⁹⁹ <http://www.gwpforum.org/>

¹⁰⁰ The following information is taken from the Center for Responsive Politics, <http://www.opensecrets.org>

¹⁰¹ PACs are political committees organized for the purpose of raising and spending money to elect and defeat candidates, most PACs represent business, labour or ideological interests

24% went to Republicans. They also gave \$144,475 in Soft Money¹⁰² donations (\$129,000 to Democrats, \$15,475 to Republicans)

Ondeo Nalco – \$5,800 in Political Action Committee (PAC) contributions, \$5,000 of which went to Illinois Congresspersons, where Ondeo Nalco is headquartered.

For the 1999-2000 election cycle – US figures only

United Water – \$9,035 in Political Action Committee (PAC) Contributions, most of which (\$7,950) went to New Jersey Congresspersons, where United's corporate office is located. 82% went to Democrats and 18% went to Republicans. They also gave \$123,650 in soft money donations. (\$92,000 to Democrats, \$31,650 to Republicans)

Ondeo Nalco – \$35,750 in Political Action Committee (PAC) contributions, a disproportional amount (\$13,250) of which went to Illinois Congresspersons, where Ondeo Nalco is headquartered. They also gave \$17,500 in 'soft money' contributions, all to the Republicans.

Aqua-Chem – \$1,639 in PAC contributions, all to President George Bush.

3.4 Corruption

January 2003: France – In October 2002, Suez brought a libel suit against a French economics teacher who has spent years researching Suez' activities, Jean-Philippe Joseph, for defamation after he said the following statement in an interview on Radio France (public radio):

"Vivendi basically used a variety of strategic and legal instruments, including bribery. A number of elected officials have said – not just about Vivendi, about Lyonnaise des Eaux and others too – that bribery lies at the heart of those markets. So if bribery is used to enter markets, then the system is not a free-market system... The second thing is that resources are going to be siphoned out of the system as a matter of course. There are instances of overcharging on water-bills. In Avignon, water rates were three francs higher than they should have been. In other instances, companies are going to charge for infrastructure work twice over, when the work was not necessary; they may add considerable management costs and so on. They use water contracts and the whole business of managing water to amass a series of sums of money with which they can expand and invest outside the water business."¹⁰³

Joseph's comments were not much different from the scandals that had already been reported in French media. Regardless, he was sentenced to pay a symbolic EUR 1 dollar in damages to Suez, although the court denied the request by Suez to publish the judgment in *Le Monde Diplomatique*.¹⁰⁴ Jean Luc Trancart, deputy director general of Suez, told the International Consortium of Investigative Journalists (ICIJ) that "whenever somebody accuses us of corruption, we file a lawsuit for libel!"

October 2002: France – A corruption investigation involving a former Suez executive, Raymond Roux, an RPR (Rassemblement pour la Republique) Congressman, Richard Cazenave, and a

¹⁰² Soft money encompasses any contributions not regulated by federal election laws and is considered by many to be a political loophole. The exemption was made to encourage "party-building" activities which benefit the political parties in general, but not specific candidates. In reality however, the loophole has emerged as the parties' primary means of raising tens of millions of dollars from wealthy contributors during the fall presidential campaigns, when direct contributions to candidates are prohibited.

¹⁰³ As quoted in "Suez Suing Public Radio and Economics Teacher For Libel" Public Citizen, October 4, 2002, http://www.citizen.org/cmep/Water/cmep_Water/reports/france/articles.cfm?ID=8351

¹⁰⁴ "Water and Power: The French Connection" ICIJ, February 4, 2003, www.icij.org/dtaweb/water/

Swiss financial advisor was reopened to investigate allegations of corruption.¹⁰⁵ The parties are accused of funneling revenues from false invoices created by a Suez subsidiary – a heating company – through Swiss bank accounts to help fund the political career of Cazenave during the years when he was President Chirac's chief of staff (until 1993).

June 2002: Lesotho – In June 2000, many companies were accused of bribing Lesotho officials in order to obtain contracts in the Lesotho Highlands Project, including then Suez subsidiary Dumez (Suez has since sold Dumez to the Italian Company Vinci, but Suez was in control of the company when the alleged bribery took place). The Canadian corporation, Acres International was found guilty of corruption in September 2002, as the first company to go to trial in the case. The other accused corporations, including the former Suez subsidiary Dumez, are to go to court over the coming months.¹⁰⁶

1995-2000: Grenoble, France – A corruption investigation involving Suez concluded that the Grenoble's water service was privatized in exchange for contributions by the company to former Suez executive Alain Carignon's electoral campaign.¹⁰⁷ In 1995, Carignon who was by then minister in the central government, and Jean-Jacques Prompsey, a then Lyonnaise executive and chief executive of Suez subsidiary SITA, were both convicted of respectively accepting and paying bribes. They were both sentenced to prison terms. In March 2000 Grenoble city council voted to remunicipalize their water system.

October 1998: Jakarta, Indonesia – Suez and Thames sued for illegal water concessions in Jakarta, saying that the concessions breached Indonesian law because they were not subject to competitive tender. Residents in North Jakarta have been vocal about shortages and large price increases. It was pointed out a large salary disparity between those still employed by the public water authority (PDAM Jaya) and those who were transferred to companies run by Suez and Thames. The governor of Jakarta, Mr. Sutiyoso, fired the President of the water authority, blaming him for strike action in Jakarta, saying he encouraged unions and criticized Suez.¹⁰⁸

1996-1998: Peru – Tractebel came under investigation for allegedly bribing former Peruvian president Alberto Fujimori with \$10 million US between 1996 and 1998. Peru's top anti-corruption prosecutor in Peru, Luis Vargas Valdivia's investigation into the matter included testimony from an engineer who may have witnessed the bribes.¹⁰⁹ The outcome of the investigation is unclear.

1989-1996: France – Construction Scandal – The construction units of Bouygues, Suez, and Vivendi have all been the subject of a major judicial investigation in France over allegations that they participated in a corrupt cartel between 1989 and 1996. According to Public Services International Research Unit reports, the three corporations are alleged to have shared contracts for the building of schools in the Ile de France region surrounding Paris worth approximately US\$500 million, to the exclusion of other bidders. In addition, it has been alleged that a 2 percent levy was to be charged on all contracts for use in support of political parties in the region. This arrangement (assuming it is proven) was described in Le Monde as "an agreed system for the misappropriation of public funds".¹¹⁰

It is important to note that it was the government officials and political parties, in collusion, that created this system to skim 2% off the top of contracts. The companies were absolutely complicit

¹⁰⁵ *ibid*

¹⁰⁶ "Lesotho court fines Germany' s Lahmeyer 1.4 mn dollars for bribery", Agence France Presse, August 26, 2003

¹⁰⁷ Hall D., Lobina, E., "Private to Public: International lessons of water remunicipalisation in Grenoble France", Public Services International Research Unit, August 2001, <http://www.psiu.org/reports/2001-08-W-Grenoble.doc>

¹⁰⁸ Public Services International Research Unit news, "Suez Lyonnaise and Thames Water sued for illegal water concessions in Jakarta", www.psiu.org/news/3175.htm

¹⁰⁹ Munoz, R., "Belgian buyer in protested Peru privatizations may have bribed Fujimori", Agence France Press, July 19, 2002

¹¹⁰ Public Services International Research Unit, "Suez-Lyonnaise, Bouygues, Vivendi in new corruption and cartel scandal" www.psiu.org/news/3372.htm

in all of this for 7 years. The companies were told that if they wanted the contracts, they would have to pay the 2% that was pocketed by the parties for campaign funding. While it is true that if they wanted the contracts they had no choice but to go along, they still had the choice to back out and/or blow the whistle on the whole thing. Instead they went along with it for 7 years as a part of getting the contract. The government officials would meet with the companies to decide who would get contracts based, in part, on who would pay the 2%. This was done secretly before the official tendering process would start.

Jaques Durand, the commercial director of GTM, a Suez subsidiary involved in the scandal, was indicted for corruption, bribery, favoritism, and anticompetitive practices.¹¹¹

1997: France – Cour des Comptes accused Suez of, among other charges, deficient financial management. Suez was found to be depositing consumer overpayments into interest-generating accounts, keeping the interest as undeclared profit – in 1997 Suez earned about US\$500,000 this way.¹¹² Jean Luc Trancart, deputy director general of Suez, told the International Consortium of Investigative Journalists (ICIJ) that they “consider this profit as remuneration for the management of money that doesn’t belong to us. It passes through our accounts due to the public [payment] system”.¹¹³ He added that they now declare the interest as profit.

3.5 Corporate welfare

Suez, one of the most profitable companies in the world, has relied on billions of dollars in financing for many of its projects around the world. Part of Suez’ strategy is to seek financing from different banks around the world for its operations in the South. Some cases where Suez has benefited from corporate welfare include:

1999-2003 – Argentina – The International Finance Corporation (IFC) has provided Aguas Argentinas with \$150.7 million in loans for its operations in Argentina. About its involvement the IFC says that it is financing this concession since long-term funding is currently unavailable in Argentina and in international capital markets.¹¹⁴ The IFC is a member of the World Bank Group and states that it “promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people’ s lives.”¹¹⁵ In reality, the group provides support to big corporations in their quest for ever expanding markets.

January 2003 – Brazil – Suez’ Brazilian water subsidiary, Aguas do Amazonas, received a \$19 million dollar loan from the state-owned national development bank BNDES. Aguas do Amazonas has a 30 year concession for the city of Manaus.¹¹⁶

July 2001 – Vietnam – The Ho Chi Minh water treatment plant Build-Operate-Transfer (BOT) contract given to Suez Ondeo will be bankrolled for \$154 million by Malaysian and European Export Credit Agencies. The agencies are Mecib of Malaysia, Coface of France, and OND of Belgium. The Asian Development Bank joined in as a funder in August 2001.¹¹⁷

¹¹¹ Follorou, J., “Un Systeme D’Entente mis Au Jour dans L’Affaire des Lycees d’Ile de France”, Le Monde December 10th, 1998

¹¹² Ibid

¹¹³ Ibid

¹¹⁴ International Finance Corporation Website, IFC Projects, <http://ifcn101.worldbank.org/IFCExt/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/865df85942e1eef7852568d60071250a?OpenDocument>

¹¹⁵ International Finance Corporation Website, <http://www.ifc.org/about>

¹¹⁶ Hall, D., “Water Multinationals – no longer business as usual”, Public Services International Research Unit, March 2003, <http://www.psir.org/reports/2003-03-W-MNCs.doc>

¹¹⁷ “Private Firm Will Improve Drinking Water in Vietnam’s Capital” M2 Presswire, August 7th, 2001

May 2000 – Cameroon – The International Monetary Fund (IMF) and World Bank made the privatization of Cameroon's water a condition of debt relief. The country's state water company selected Suez Lyonnaise des Eaux as the sole bidder for the contract. The IMF and World Bank urged the government to complete preparations for the takeover by May 22nd so it could be reviewed by the IMF board. On May 22nd, the contract was officially awarded to Suez Lyonnaise.¹¹⁸

August 2000 – Brazil – A subsidiary of Tractebel, Suez' energy company, which built and operate the Cana Brava Hydroelectric Power plant in Brazil, was awarded \$147 million in loans from the Inter-American Development Bank for the construction of the plant.¹¹⁹ The Cana Brava plant went into operation in 2002.

June 1999 – Argentina – Aguas Argentinas received \$300 in financing from the Inter-American Development Bank for its operations in Argentina.¹²⁰

July 1995 – The European Bank for Reconstruction and Development (EBRD) made its first loan for water and sanitation in Eastern Europe (many more loans for this purpose were forthcoming), giving the money directly to Suez's Lyonnaise des Eaux to support their planned investment program in Eastern Europe. Just one month earlier, Thierry Baudon left as deputy vice-President of the EBRD and joined Lyonnaise des Eaux as managing director, for international project finance.¹²¹ In February 2000, the EBRD extended its loan for another 3 years.

December 1995 – Argentina – The European Investment Bank provided Aguas Argentinas with a EUR70 million loan for the company's concession in Argentina.¹²²

¹¹⁸ Public Services International Research Unit, "Cameroon to privatise water to qualify for debt relief", PSIRU news, www.psiru.org/news/4084.htm

¹¹⁹ Inter-American Development Bank Project Abstract, http://www.iadb.org/pri/projDocs/BR0304_A_E.pdf

¹²⁰ Inter-American Development Bank Press Release, "IDB Approves \$300 Million For Water And Sanitation In Argentina", June 23, 1999, http://www.iadb.org/NEWS/Display/PRView.cfm?PR_Num=120_99&Language=English

¹²¹ Public Services International Research Unit "EBRD Backs Municipal Investment, Financial Times July 7th, 1995

¹²² European Investment Bank, <http://www.eib.org/projects/loans/project.asp?loan=3081589>

4. Social Profile

4.1 Problem contracts

Manila, Philippines – The termination of Maynilad’s contract in the Philippines was not a complete surprise. Maynilad had been under financial stress and was having difficulty with their creditors, and as part of their contract, had inherited about US\$790 million of MWSS’ debt. Under the concession contract with the MWSS, there were three ways in which Maynilad could obtain an increase in its rates charged to consumers: 1. inflation; 2. Extraordinary price adjustments (EPA) due to unforeseen circumstances, such as the Asian economic crisis; and, 3. rate rebasing.¹²³ Under rate rebasing, the MWSS Regulatory Office (MWSS-RO) would reassess the water rates every five years to determine whether profits being made by Maynilad exceeded ‘fair returns’, thus the water rate could be lowered, ultimately benefiting the consumers. In Maynilad’s case, the reverse was true – they were claiming P21 billion in *lost* profits from investments made over the first five years and were demanding a rate increase to P33 pesos per cubic metre from P19 pesos.¹²⁴ The MWSS-RO, in their assessment of October 2002, determined that Maynilad had spent over P8 billion *unnecessarily* and were only willing to allow a rate increase to P26 pesos per cubic metre, prompting Maynilad to terminate the contract and bring the issue before an international tribunal where they will attempt to recover all P21 billion.

The financial mismanagement of Maynilad may be partly due to the credit problems of Benpres, Suez’s partners in the contract. A large chunk is also attributable to the extraordinary ‘consulting’ fees charged by Ondeo for its French consultants “who are rarely seen” – in 2001, Ondeo billed Maynilad with P168 million in professional fees for only 11 employees.¹²⁵ A study, still a work in progress, by the Philippines NGO Institute for Popular Democracy, reveals that Maynilad had engaged in aggressive ‘dive bidding’ – going unrealistically low to gain the concession contract and then renegotiating later.¹²⁶ Although a relatively common practice among water corporations, there is evidence to show that the MWSS was factually aware of how “unrealistic” these figures were and chose to ignore it. The MWSS had employed the advice and direction of the World Bank’s International Finance Corporation (IFC) who completed a review of the Maynilad bid in which they suspected that “the targets for non-revenue water [NRW; water lost through leaks or theft] reduction, and therefore revenue generation, were unrealistic”.¹²⁷ Maynilad promised to reduce NRW to 30% from 58%; in fact, NRW increased to a level of 70%.¹²⁸ Under such conditions, the tender should not have been awarded to Maynilad, however, the IFC ignored their own suspicions and ‘recommended’ that Manila accept the lowest bid even though it was not feasible.

Since April 2001, Maynilad has not paid their concession fees to the MWSS, used to help service the government’s debt, in an amount approximating US\$100 million.¹²⁹ Currently, Maynilad has left an estimated US\$530 million in debt behind and is claiming US\$303 million in

¹²³ Esguerra, J., “The Corporate Muddle of Manila’s Water Concessions: How the World’s Biggest and Most Successful Water Privatizations Turned Into a Failure” (Work in Progress) *Institute for Popular Democracy*, 2003

¹²⁴ “Maynilad’s Contract Termination comes with a demand of P21 billion” Bantay-Turbig Press Release, Institute for Public Democracy, 2003, www.ipd.ph/pub/advocacy/maynilad-contract.shtml

¹²⁵ “The French (Water) Connection” *Manila Standard*, November 8, 2002

¹²⁶ Esguerra, J., “The Corporate Muddle of Manila’s Water Concessions: How the World’s Biggest and Most Successful Water Privatizations Turned Into a Failure” (Work in Progress) *Institute for Popular Democracy*, 2003

¹²⁷ *ibid*

¹²⁸ Fajardo, J., “The Mess That is Maynilad: Legal Wrangling at the Expense of Consumers and Taxpayers (ADB Series Part 2)” *Focus on the Global South – Philippines*, electronic bulletin

¹²⁹ *ibid*

compensation.¹³⁰ A three-person International Arbitration Panel has been convened to hear the case and Maynilad will continue servicing Manila until a termination decision is reached.

Buenos Aires, Argentina – Suez's track record in running water and sanitation services in Buenos Aires is anything but perfect. Since the company took over the state run water and sanitation company in 1993 with promises of lower rates and more access to services for the poor, Suez has consistently raised the price of the average water bill and failed to significantly increase the service area.¹³¹ The water service and sanitation concession was granted to Aguas Argentinas, one of five bidders, because it offered the largest reduction in water rates. The company was specifically prohibited from raising rates for the purpose of minimizing Aguas Argentinas' entrepreneurial risk through the contract that regulates the concession. The contract also denies compensation for losses due to negligence or inefficiency. Regardless of what was written in the contract, the company managed to renegotiate the contract only eight months into the concession due to unforeseen operating costs.¹³² The renegotiated contract authorized a rate hike of 13.5% paving the way for consistently higher water bills for a population that could not afford it. The new pricing allowed the company to go from registering losses to making huge profits in its second year of operation. Average water bills went from \$14.56 pesos (\$1 peso = \$1 US dollar) in May 1993 to \$27.40 in January 2002.¹³³ During the same time frame the inflation rate in Argentina was zero.

While prices were rising, Aguas Argentina was not fulfilling its contractual obligation to expand its services and investments. In the first three years of the concession investments only amounted to 45% of the total required by the contract.¹³⁴ Expanded services were supposed to be financed from the higher rates, but in Argentina, a country with areas of high rates of poverty, companies are reluctant to invest where the population is unable to pay high rates for services. It is precisely these areas that need these kinds of services the most. The expansion of services was a major aspect of the concession.

The first nine years of the concession saw numerous contractual renegotiations which facilitated Aguas Argentinas' financial gains. The company raised rates to reduce financial risk and assumed a huge debt from loans from the International Finance Corporation (the World Bank's Financial arm) the Inter-American Development Bank and the European Investment Bank. The company's strategy of using borrowed money to finance the concession put it in a very vulnerable position when Argentina's economic crisis hit at the end of 2001.¹³⁵

When Argentina devalued their currency in 2002, Aguas Argentina defaulted on \$700 million in loans. In response to the Argentinean government's crisis management, Suez invoked a threat to use an Argentina-France Bilateral Investment Treaty to ensure they would be compensated in the wake of the country's financial collapse. Suez was scrambling to save Aguas Argentina after it had left itself totally exposed to this kind of financial crisis. Another defensive tactic was to threaten the government with legal action through the World Bank's International Center for the Settlement of Investment Disputes (ICSID)¹³⁶, in order to hold the government responsible for the

¹³⁰ "G8 Summit: Corporate Welfare or Water For All?" Corporate Europe Observatory, May 29, 2003, www.corpwatch.org/issues

¹³¹ Vilas, C., "Water Privatization in Buenos Aires", NACLA Report on the Americas, Vol. 38, No 1, July/August 2004, p. 36

¹³² *ibid*

¹³³ *ibid*, p. 37

¹³⁴ *ibid*, p.36

¹³⁵ *ibid*, p. 38

¹³⁶ This course of action seems to be a conflict of interest since the International Finance Corporation, the World Bank's financial arm, has heavily invested in Aguas Argentinas.

company's losses due to devaluation.¹³⁷ The company essentially wanted the Argentinean people to compensate them for their own ill-advised financial strategy.

The company and the Kirchner government reached an agreement in May 2004 paving the way for a new contract which will be operational by 2005.¹³⁸ The company agreed to halt its case against the government in the ICSID while payments on fines imposed on the company by the government agency created to regulate the concession, ETOSS, have been temporarily frozen.

Argentina's experience of leaving an essential service in the hands of a large multinational has been anything but positive. Rising rates and broken promises for expanded service and the construction of a new sewage treatment plant resulting in the dumping of raw sewage into the Rio de la Plata, showcase this privatization scheme as an example of questionable corporate behaviour. Suez' track record in Argentina throws dirt onto their declared mission of 'delivering the essentials of life'. In reality, the corporation is concerned with delivering profits in order to make money for its shareholders and executives, and not with the people of Argentina.

South Africa¹³⁹ – Suez has been active in South Africa since the 1970s when their subsidiary Degrémont won a contract to design and construct water and wastewater plants. Suez was awarded hundreds of contracts from the Apartheid government to supply clean water to the white minority while the needs of the black majority were ignored.¹⁴⁰ Suez' operations in South Africa inauspiciously began as a collaboration with the Apartheid government. In 1986, Suez formed Water and Sanitation Services Africa (WSSA) with another company, Group Five. Since then WSSA has been awarded a 25-year concession in Queenstown and now provides water and wastewater services to over 2 million people in the provinces of Kwa-Zulu Natal, Eastern Cape, Western Cape Northern Province and Gauteng. In 2001 WSSA was awarded a five year management contract to supply water and wastewater services to the 3.5 million inhabitants of Johannesburg. The contract covers the City's six municipal water and wastewater structures and doubles the number of people living in areas managed by Suez.¹⁴¹

Suez has run into controversy in a number of its contracts in big cities. Between 1994 and 1999, water rates increased by 300% in three rural low income, Eastern Cape municipalities, Queenstown, Stutterheim and Fort Beaufort (Nkonkobe).¹⁴² By 1996 a typical household was paying 30% of its average \$60 per month salary for water, sewer and electricity bills. While the majority of residents could not pay their utility bills, the municipality in Queenstown appointed special debt collectors and very high re-instatement fees were applied. In 2000 the assistant treasurer of Nkonkobe reported that the majority of actions were taken against debtors who were unemployed or pensioners.¹⁴³ By the late 1990s resistance to high rates and ruthless tactics had turned into violent protest. Nkonkobe municipality eventually cancelled its contract with WSSA after they were unable to pay management fees to the company. According to the mayor of Nkonkobe ending the contract meant that the municipality would save R19 million.¹⁴⁴

In Johannesburg, Suez installed pre-paid water meters in Orangefarm, one of the city's poorest townships.¹⁴⁵ Consumers were required to pay up-front for their water, and if users failed to pay

¹³⁷ Suez Press Release, "SUEZ invokes procedures provided under the French-Argentine Bi-lateral Investment Treaty and books provisions to cover all its exposure in Argentina", June 28, 2002,

<http://www.suez.com/finance/english/actualites/detail.php?id=885&pg=arch>

¹³⁸ Vilas, C., "Water Privatization in Buenos Aires", NACLA Report on the Americas, Vol. 38, No 1, July/August 2004, p. 40

¹³⁹ For more information and updates on Suez' operations in South Africa please visit the Polaris Institute's website:

http://www.polarisinstitute.org/polaris_project/water_lords/News/index.html

¹⁴⁰ "Suez: A Corporate Profile", Public Citizen, August 2003, p. 9

¹⁴¹ Suez Press Release, "Lyonnaise des Eaux Signs the Water Management Contract of Johannesburg", February 14, 2001, <http://www.suez.com/finance/english/actualites/detail.php?id=516&pg=arch#>

¹⁴² Pauw, J., "Metered to Death: How Water Experiments Caused Riots and a Cholera Epidemic", The Center for Public Integrity, February 2003, <http://www.publicintegrity.org/water/report.aspx?sID=ch&rID=49&aID=49>

¹⁴³ *ibid*

¹⁴⁴ Public Service International Research Unit, "WSSA South African Water Contract Nullified", December 2001

¹⁴⁵ "Suez: A Corporate Profile", Public Citizen, August 2003, p. 10

the water would be automatically cut off. Prepaid water meters have been linked to outbreaks of cholera in areas where people either ran out of credit or were unable to gain access to the meters at all. People without access to clean water in these areas resorted to collecting water from unsafe sources.¹⁴⁶ Suez has plans to introduce water meters in the township of Soweto by 2004.¹⁴⁷

Suez' operations in South Africa are just another example of the corporation's dismal track record at managing projects that will benefit the population. It also provides more proof that privatizing water and sanitation services only benefits the corporations involved while the people end up paying more for the service and in many cases simply cannot afford clean water. The company seems to ensure profits during these projects while their commitment to accessible water for their consumers is consistently in question.

Atlanta, Georgia – In January, the 20-year US\$428 million water services contract between Atlanta and United Water was terminated after only 4 years. The contract was troubled from the beginning with then-Mayor Bill Campbell's rushing the bid process as part of his re-election campaign.¹⁴⁸ Once granted the contract, United Water asked for an additional \$80 million for compensation for work it said was not covered in the contract.¹⁴⁹ It claimed that Campbell had authorized a \$4 million raise over 17 years but Campbell denied ever signing such documents and city attorneys declared that they were invalid.

United Water was also accused of billing over \$20 billion for work it never completed while sewer bill rates were rising about 12% annually, there were constant boil water advisories and it had cut costs by reducing employees from 700 to 300.¹⁵⁰ A January 2003 report showed that the city of Atlanta had saved only half of what the company had projected as part of the contract. The City of Atlanta has now opted to keep their water services in public control and is creating a 346-employee department.

Houston, Texas – In 1996, United Water was hired by the city of Houston to privatize a municipal water purification plant. In November 2001 United filed a lawsuit seeking \$900,000 US because, according to United, the city failed to pay them for services rendered. The city of Houston filed a \$2 million countersuit in federal court claiming that United did not live up to its original agreement in its maintenance of the plant and that \$2 million in repairs need to be made.¹⁵¹ The city then filed a plea to the jurisdiction on United Water's suit. The trial court granted the city's plea and dismissed the case.¹⁵²

Florida – United Water was fined over \$95,000 US in Nassau and St. John' s counties for exceeding their maximum withdrawal amounts from local wells by as much as 131 percent during the years 1998-2000. The limits had been set under a consumptive use permitting program.¹⁵³

Sao Paulo, Brazil – Suez subsidiary Aguas de Limeira did not invest the amount set out in the concession agreement, investing only Real 18 million (\$7.2 million US) of the Real 36 million (\$14.4 million US) it should have between 1994 and 1999. It also became known that Aguas de Limeira only planned to invest Real 1.5 million (\$600,000 US) for 2000, rather than the Real 8

¹⁴⁶ "Orange Farm, South Africa: The Forced Implementation of Prepaid Water Meters", Public Citizen, June 2004, p. 11, <http://www.citizen.org/documents/OrangeFarmWeb.pdf>

¹⁴⁷ "Suez: A Corporate Profile", Public Citizen, August 2003, p. 10

¹⁴⁸ Carr, M., "Water woes in Atlanta a cautionary tale for N.O.; Privatizing doable, not cure-all, city told" Times-Picayune (New Orleans, LA) , June 29, 2003

¹⁴⁹ International Consortium of Investigative Journalists "Water Privatization Becomes a Signature Issue in Atlanta" The Centre for Public Integrity, <http://www.icij.org/dtaweb/water/>

¹⁵⁰ "Fiascos: Atlanta, Georgia" Public Citizen, www.citizen.org, 2003

¹⁵¹ Colley, J., "Legal Deluge Inundates first city water plant privatization effort", Jenna Colley, Houston Business Journal, August 16th, 2002

¹⁵² "United Water Services Inc. v. City of Houston", Texas Lawyer, May 14, 2004.

¹⁵³ Schoolcraft, L., "United Water fined for withdrawal violations", Business Journal of Jacksonville, November 14th, 2001

million (3.2 million US) that had been expected of it. According to Aguas de Limeira, the under-investment was due to a lack of an increase in rates since the beginning of the contract. The new mayor stated that the procurement procedure was flawed, and wanted to return the water system to the state of Sao Paulo.¹⁵⁴

Germany – In 1998 the municipality of Postdam terminated the water concession given to Suez's German subsidiary, Eurawasser. Water consumption was lower than assumed in the tender [something we might be grateful for if we are not looking at profit only] so the company called for massive price increases which the city would not accept.¹⁵⁵

Hungary – A business plan was rejected by the Budapest Municipal Council in 1999 which predicted large losses and a 5% decrease in sales income. Regardless of the losses huge premiums paid to the management. This contract started out on questionable terms when it was not awarded to the company offering the cheapest price for water, but to the consortium (Suez and RWE) which promised the Budapest Council an extra 3 billion Forints (\$11 million US) in payment – even though their water was more expensive per cubic meter.¹⁵⁶

4.2 Environmental problems

Milwaukee, Wisconsin – Several recent events prompted the Milwaukee Metropolitan Sewerage District (MMSD) to commission a performance review of United Water which is half-way through a 10-year contract to operate two water treatment plants for the city. In May 2003, United Water was issued a notice of non-compliance by MMSD when a plant operator mistakenly released 2 million gallons of partially treated sewage into the Milwaukee River.¹⁵⁷ Since 1998, there have been a dozen other incidents including in September 2003 when United Water was dumping toilet waste directly into the river, failing to filter used condoms out of the 'treated' plant discharge.¹⁵⁸ Another incident in May 2004 after a heavy rainfall saw the release of 4.6 billion gallons of raw sewage by the Milwaukee Metropolitan Sewerage District into local streams and Lake Michigan.¹⁵⁹ In addition, over 400 homes of area residents were flooded with raw sewage. At the time of the incident the MMSD and United Water were in the process of replacing two huge raw sewage holding tanks, thus limiting the capacity of the system.¹⁶⁰

The performance review concluded that United Water was, overall, doing a good job – water quality had improved and the city had apparently saved over \$60 million. It did note, however, that understaffing was a concern for safe operation of the plants – over the five years since the contract started, United Water has reduced its employees to about 200 from 300.¹⁶¹ The review also noted that compliance orders issued by MMSD "are accumulating without action by United Water . . . there is a backlog of deficit items, with some having been reported more than a year ago".¹⁶² Another study completed independently by Triad Engineering Inc. concluded that the

¹⁵⁴ Public Service International Research Unit News, "Under-investment following Aguas de Limeira privatization", March 2000

¹⁵⁵ Public Service International Research Unit News, 1998

¹⁵⁶ Hall, D., "Water In Public Hands", Public Service International Research Unit, June 2001, <http://www.psir.org/reports/2001-06-W-public.doc>

¹⁵⁷ Rohde, M., "Review raises concerns about sewerage upkeep; But contractor fares well overall" Milwaukee Journal Sentinel (Wisconsin) June 24, 2003

¹⁵⁸ "MMSD's troubled waters" Milwaukee Journal Sentinel (Wisconsin), June 23, 2003

¹⁵⁹ Rohde, M., Shultze, S., "Sewage backs up: so do complaints", The Milwaukee Journal Sentinel, June 26, 2004.

¹⁶⁰ Rohde, M., Shultze, S., "Deep tunnel system was down to 1 pump", The Milwaukee Journal Sentinel, May 19, 2004

¹⁶¹ Ryan, S., "Milwaukee Metro Sewerage District OKs apprenticeship proposal" The Daily Reporter (Milwaukee, WI), June 24, 2003

¹⁶² Rohde, M.

MMSD has grossly underreported volumes of raw sewage being dumped during rainstorms – potentially by as high as 72%.¹⁶³

Considering recent actions by United Water in other municipalities such as Atlanta and its accumulating non-compliance orders for a contract on which it is reportedly losing a lot of money, there is speculation that it might pull out sooner than expected, although United Water has said it will remain for the remaining five years.¹⁶⁴

Dover, New Jersey – An area of well fields one mile north of a Superfund site continue to be tapped by United Water for the town's water supply. The Reich Farm is where 4,000 drums of chemical waste were dumped in 1971 and is threatening groundwater sources. United Water has said they will shut down the wells if they can secure state and federal funding for the US\$6 million needed to replace the wells because "it would be unfair to expect United Water's ratepayers to bear the cost".¹⁶⁵

Delhi, India – Ondeo Degrémont's contract with the Delhi Jal Board (the water supply department) for a 10-year BOT water treatment plant has been met with protests by local farmers – at least 5000 protested in August 2002. The Sonia Vihar plant, inaugurated in June 2002, is diverting at least 630 million litres per day from irrigation and preventing recharge of groundwater through the lining of canals and pipelines (ensuring the plant receives maximum water). There are allegations of corruption in the award of the tender to Suez as it was not the lowest of the 3 bids and was alleged to be of inferior technology. A member of the Opposition party in Delhi claims that the DJB tried to bribe him into silence after he expressed concern about the amount of water allotted to the plant.¹⁶⁶

United Kingdom – The UK's government quality watchdog, found Suez's Northumbrian Water to be the second worst company based on operational performance. The water contained high levels of iron and manganese. As well, there had been a 110% increase in the price of water by Northumbrian Water between 1989 and 1996, at the same time as the CEO's salary increased by 150% and profits went up by 800%. Suez was told to cut their prices by 25%, after which Suez said that it will hurt its environmental investment programs and they will be unable to meet EU environmental standards in the time allotted.¹⁶⁷

4.3 Labour track record

June 2003: Delhi, India – Five workers were killed at the Rithala Sewage Treatment Plant operated by Suez Degrémont in Delhi.¹⁶⁸ According to reports, in attempting to repair a pump near the sludge pit, two workers were so overwhelmed by the gases that they fell into the pit. Three more workers, overcome by the gases, fell in after rushing to the scene. It is unclear whether the workers were all wearing gas masks. Suez is accused of negligence in not providing workers with appropriate protection. According to the Delhi Jal Board, eleven people have died in four incidents since the plant was inaugurated in October 2002.¹⁶⁹ The issue has been brought to the Indian National Human Rights Commission.

¹⁶³ "And another sewage study" Milwaukee Journal Sentinel (Wisconsin), July 3, 2003

¹⁶⁴ Rohde, M.

¹⁶⁵ Mickle, Jean "Dover renews call for closure of well field" Asbury Park Press, February 6, 2003

¹⁶⁶ Shiva, V., "Ganga Is Not For Sale: Suez, Degremont and the Privatization of Ganga Water", In Motion Magazine, October 20, 2002, www.inmotionmagazine.com/global/vshiva2.html

¹⁶⁷ UK Environmental Agency, "U.K. Environment Agency "names and shames" worst corporate polluters", June 1999, <http://www.ukenvironment.com/corporaterespons.html#corporate%20polluters>

¹⁶⁸ "Five Workers Killed in Sewage Plant Tragedy" Hindustani Times (Delhi Edition), June 25, 2003

¹⁶⁹ "Suez – Degremont Kills Indian Workers", Research Foundation for Science, Technology and Ecology (RFSTE) Press Release, June 26, 2003

September 2000: Queenstown, South Africa – Workers of the South African Municipal Workers Union (SAMWU) in Queenstown, SA, picketed the offices of WSSA, the local subsidiary of Suez, over non-payment of salary increases, and excessive profits. WSSA is paid over Rand 1 million (\$130,000 US) per month whereas municipal workers are reading the meters and collecting payments to the value of about Rand 250,000, with the rest going to profits for WSSA. SAMWU said much of this money could go to salaries or to programs for water for the poor. (PSIRU Report on SAMWU press release, 08/31/2000) As well, this contract has a secrecy clause, stating that no members of the public should see it without the expressed approval of WSSA.¹⁷⁰

¹⁷⁰ "Water In Public Hands", Public Services International Research Unit Report, June 2001 - <http://www.psir.org/reports/2001-06-W-public.doc>

5. Stakeholder Profile

5.1 Institutional holders

Top 10 Institutional Investors	Share Holdings	Change in Share Holdings as at June 30, 2004
Franklin Resources Inc	1,028,461	166,011
Federated Investors	588,000	9,000
Msdw & Company	562,445	562,445
New England Fds Management Lp	379,433	100,170
Munder Capital Management	315,222	1,700
Mfs Investment Management	152,468	97,688
Axa Financial, Inc.	106,710	5,884
Credit Suisse Asset Mgmt Llc(U)	96,254	-15,903
Comerica Inc	90,055	-90
Deutsche Bk Aktiengesellschaft	88,516	-17,000

(Source: Wall Street Journal)

Contact information

Franklin Resources Inc – <http://www.franklintempleton.com>

One Franklin Parkway
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 San Mateo, CA 94403
 800-632-2350
 ext. 22505

Federated Investors – <http://www.federatedinvestors.com>

Federated Services Company
 P.O. Box 8606
 Boston, MA 02266-8604
 1-800-341-7400

Msdw & Company – <http://www.morganstanley.com>

Morgan Stanley
 1585 Broadway
 New York, NY 10036
 212-761-4000

New England Fds Management Lp – <http://www.cdcinvestfunds.com>

CDC Nvest Funds
 PO Box 219579
 Kansas City, MO 64121-9579
 800-225-5478

Munder Capital Management – <http://www.munder.com>

Munder Capital Management
 480 Pierce Street
 Birmingham, MI 48009
 248-647-9200

Mfs Investment Management – <http://www.mfs.com>
MFS Service Center, Inc.
P.O. Box 55824
Boston, MA 02205-5824

Axa Financial, Inc. – <http://www.axa-financial.com/>
AXA Financial, Inc.
1290 Avenue of the Americas
New York, NY 10104
212-554-1234

Credit Suisse Asset Mgmt Llc – <http://www.credit-suisse.com/en/>
466 Lexington Ave.
New York, NY 10017
212-875-3500

Comerica Inc - <http://www.comerica.com/>

Deutsche Bk Aktiengesellschaft
Taunusanlage 12
60262 Frankfurt am Main,
Germany
+49 69 910-00

Appendix 1

Suez' main subsidiaries and their percentage ownership:

Tractebel, 99% (Belgium)
Electrabel, 43% (Belgium)
Distrigas, 46% (Belgium)
Fluxys, 46% (Belgium)
Elyo, 99% (France)
Axima Winterthur, 99% (Switzerland)
Dunamenti, 32% (Hungary)
Endel, 99% (France)
Electrabel Nederland Nv., 43% (Netherlands)
Energie Saarlorlux Gmbh., 22% (Germany)
Fabricom, 99% (Belgium)
Tractebel Energia, 75% (Brazil)
Gti, 99% (Netherlands)
Ineo, 99% (France)
Itasa, 36% (Brazil)
Litoral Gas, 62% (Brazil)
Polaniec, 25% (Poland)
Rosignano Energia Spa, 43% (Italy)
Tractebel Inc., 99% (Usa)
Tractebel Thailand, 99% (Thailand)
Tractebel Lng North America, 99% (Usa)
Trigen, 99% (Usa)
Lyonnaise Des Eaux (France)
Ondeo (France)
Ondeo Degremont (France)
Ondeo Nalco (Usa)
Agbar, 26% (Spain)
Aguas Andinas, 30% (Chile)
Aguas Argentinas, 46% (Argentina)
Aguas Cordobesas, 43% (Argentina)
Aguas Provinciales De Santa Fe, 56% (Argentina)
Eau Et Force (France)
Eaux De Marseille, 49% (France)
Eaux Du Nord, 50% (France)
Eurawasser, 50% (Germany)
Hisusa, 51% (Spain)
Lydec, 60% (Morocco)
Northumbrian Water, 83% (United Kingdom)
Sino French Holding (Sfh) , 30% (Hong Kong)
S.A.A.M. (Sociedad De Abastecimiento De Aguas De Macau, 26% (Macau)
S.C.M. (Sdei) (France)
Stephanoise Des Eaux, 50% (France)
United Water Resources (Usa)
Sita (France)
Cespa, 63% (Spain)
Coditel, 79% (Belgium)
Coficem/Sagem, 23% (France)
Lyonnaise Communications (Noos), 50% (France)
Metropole Tv., 37% (France)
Paris Cable, 50% (France)
Tps, 34% (France)

Societe Generale De Belgique (Belgium)
Reaumur Participations (France)
Si Finance (France)
Suez Industrial Solutions (France)
Umicore, 30% (Belgium)
Fortis (Belgium)
Gie Suez Alliance (France)

Appendix 2

The following breaks down which of Suez' subsidiaries operate within each business group. This information is important for campaigners looking to clarify whether or not Suez is involved in activities when their name does not appear. As well, this list will provide campaigners with corporate targets.

Business Segment¹⁷¹:

Energy – Electricity & Gas Europe

- SUEZ-TRACTABEL – 100% ownership, Belgium
- Compagnie Nationale du Rhone – 24% ownership, France
- Energie du Rhone – 34.29% ownership, France
- Distrigas – 46.83%, Belgium
- Dunamenti – 37.50%, Hungary
- Electrabel – 50.12%, Belgium
- Electrabel Customer Solutions – 48.02%, Belgium
- Electrabel Nederland NV – 50.12%, Netherlands
- Elia/Elia System Operator – 32.10%, Belgium
- Fluxys – 46.83%, Belgium
- Polaniec – 50.12%, Poland
- Rosen – 49.87%, Italy
- ACEA Electrabel SPA – 20.35%, Italy
- ACEA Electrabel Produzione SPA 35.24%, Italy
- ACEA Electrabel Trading SPA – 25.06%, Italy
- ACEA Electrabel Energia SPA – 20.35%, Italy
- ACEA Electrabel Elettricit  – 20.35%, Italy

Electricity & Gas International

- Glow SP Public Cy Ltd – 99.01%, Thailand
- Glow IPP Co Ltd – 94.04%, Thailand
- Hanjin City Gas Co Ltd – 75.00%, South Korea
- Tractebel North America – 100.00%, USA
- Tractebel LNG NA – 100.00%, USA
- Tractebel LNG Ltd – 100.00, United Kingdom
- Tractebel, Energia SA – 78.32%, Brazil
- Colbun SA – 29.21%, Chile
- ElectroAndina SA – 33.25%, Chile
- Edelnor SA – 27.38%, Chile
- Gulf Total Tractebel Power Co – 20.00%, UAE
- Baymina Enerji AS – 95.00%, Turkey

Industrial Energy & Service

Subsidiary, as at June 28, 2004

- Axima Contracting & Refrigeration – 100.00%, Belgium
- Endel – 99.00%, France
- Fabricom GTI – 100.00%, Belgium
- GTI – 100.00% Netherlands
- Ineo – 99.99%, France
- Axima Services – 100.00%, Belgium
- Elyo – 99.99%, France

¹⁷¹ All information as at June 28, 2004 and taken from Suez' 2003 Annual Report 20F.

- Tractebel Engineering – 100.00%, Belgium

Suez Environment – Water

- Agbar – 25.79%, Spain
- Aguas Andinas – 32.12%, Chile
- Aguas Argentinas – 46.30%, Argentina
- Aguas Amazonas – 100.00%, Brazil
- ASIM (LISCO) – 50.00%, Mexico
- Bogotana de Aguas – 100.00%, Colombia
- Eurawasser – 100.00% Germany
- Lydec – 60.27%, Morocco
- Lyonnaise des Eaux France – 100.00%, France
- Northumbrian Water – 25.00%, United Kingdom
- Ondeo Degrémont – 100.00%, France
- Ondeo Puerto Rico – 100.00%, Puerto Rico
- Palyja – 95.00, Indonesia
- Macao Water (SAAM) – 42.50%, Macao
- United Water (UWR) – 100.00%, USA
- WSSA – 50.00%, South Africa

Suez Environment – Waste Services

- Ate-Geoclean – 100.00%, France
- CLIBA – 45.00%, Argentina
- Novergie – 98.68%, France
- Scori – 65.98%, France
- SITA Australia – 60.00%
- SITA Belgium – 100.00%
- SITA Canada – 100.00%
- SITA Deutschland – 100.00%
- SITA Finland – 75.00%
- SITA France – 99.90%
- SITA Nederland – 100.00%
- SITA Polska – 100.00%
- SITA Sverige – 75.00% Sweden
- SITA UK – 100.00%
- Swire SITA – 50.00%, Hong Kong
- Teris – 100.00%, France
- Teris LLC – 100.00%, USA
- VEGA (VEA) – 100.00%, Brazil
- Wasteman – 29.95%, South Africa

Suez Environment – Industrial Services

- Ondeo Industrial Solutions – 100.00%, France

Other Interests

Fund Management

- SI Finance – 100.00%, France