Out from the Shadow of Vivendi Universal:

A Profile of the Water Services Corporation:

Veolia Environment

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Introduction

“Serving Humanity and Development with our expertise”

Since the late 1990’s, the multinational corporation Vivendi (now known as Vivendi Universal) has gone through a number of fundamental shifts in operational focus. Moving away from the environmental services management business and towards communications and media, Vivendi Universal has almost completely retreated from its roots in the water services industry where it began operations in France 1853. The Vivendi legacy, however, synonymous with water privatization and corruption, lives on in a new corporation created in 2002 out of their water and wastewater services division. The new company, Veolia Environment, which was known as Vivendi Environment until 2003, carries all of Vivendi’s history and reputation into its new corporate entity.¹

Vivendi, the notorious water services privateer, originally called Compagnie Générale des Eaux, was formed in the 1850s in France as a private water services provider. After more than a hundred years of global expansion in the water and wastewater services business, Compagnie Générale des Eaux expanded its business in the 1980’s with the acquisition of a waste management services and transportation provider (Compagnie Générale d’Entreprise Automobiles) and an energy services provider (Compagnie Générale de Chauffe). In 1998, following the acquisition of several communications and media companies, including giant Universal, Compagnie General des Eaux changed its name to Vivendi. The same year Vivendi continued to extend its global environmental services activities with the acquisition of 49% of Spanish water and wastewater services business, Fomentos de Construcciones y Contratas and the leading water and wastewater treatment services company in the US, United States Filter Corporation.²

In 1999, Vivendi created Vivendi Environment to conduct all of its environmental management activities. At this point, because of its now huge scope, Vivendi began to fall into some serious financial difficulties. Investors began to believe that the company was overstretched, causing a major sell-off of shares and a drop in Vivendi’s share price. They had to write off almost $17 billion dollars in the first quarter of 2002 and took $4.85 billion charge on their 2nd quarter earnings statement, because the value of their assets had dropped after the stock tumbled. In amongst all of this Vivendi’s CEO Jean Marie Messier was fired and Vivendi’s new CEO began shopping around various parts of the company, selling off major chunks of their communications sector. It seemed as if there was a real possibility that Vivendi would sell off the newly formed Vivendi Environment, which represented their traditional operational division.³

In 2000, Vivendi, renamed Vivendi Universal (VU), continued to hold 72.3% of Vivendi Environment’s share capital. However, by December 2001 VU began to slowly get rid of big portions of their water and wastewater services division. In December 2002 VU sold half of its now 40.8% interest in Vivendi Environment to a designated group of institutional investors. At the same time VU gave the group of investors the option to acquire the remaining 20.4% interest in VE at a fixed price of EUR26.50 at any time before December 23, 2004. On December 9, 2004, Vivendi sold 15% of its 20.3% stake in VE leaving VU with a 5.3% interest in the company.

In April 2003 Vivendi Environment changed its name to Veolia Environment (VE).⁴ At the same time VE became a société anonyme (limited liability company under French law) with a Board of Directors, replacing a Management Board and Supervisory Board structure used under its former core shareholder VU. This move essentially split VE from its former majority shareholder.

² ibid
³ ibid
⁴ ibid
This profile will treat VE as the offspring of Vivendi Universal, Vivendi and Compagnie Générale des Eaux and will include discussions of each of these corporate entities in order to construct a clear picture of VE and what it represents. The profile will refer to Vivendi’s former operations and contracts in order to ensure that the historical link between these corporations remains. Each of the four corporations will be referred to by its full name, except Vivendi Universal, which will be referred to as VU and Veolia Environment, which will be referred to as VE.

Like its predecessors, Veolia Environment profits from pro-privatization policies. VE has allied itself with international institutions and capitalized on its extensive links with the French government to ensure that the use of public private partnerships is a widely promoted and accepted economic development initiative. VE makes money managing privatized water utilities and it is in their interest to influence governments and institutions to privatize public services.

VE has also been charged with corruption, bribery and anti-competitive business practices on a number of occasions.

This profile uncovers the extent of VE’s political and institutional connections and outlines their illegal business practices. It also provides a detailed snapshot of the group’s operations and financial situation. Divided into 5 sections, the profile covers VE’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 apply a critical analysis of VE’s operations and business dealings. The information provided here will act as a tool for dissecting and analyzing certain parts of VE in order to discern its strengths and vulnerabilities. The profile presents strategic information and intelligence on the corporation in such a way that will be useful for corporate campaigns.
Organizational Profile

Veolia Environment manages 251,584 employees and operates in close to 80 countries worldwide.

Veolia Environment shares trade on the New York Stock Exchange under the symbol VE.

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1.1 Operations

Like other corporations in the services industry, Veolia Environment’s operations are managed by a large number of subsidiaries operating in a diverse range of activities from the construction and maintenance of huge water treatment facilities to street cleaning and garbage collection.

What does this corporation actually do?

Veolia Environment is a global provider of ‘environmental management services’, which is defined as water and wastewater management services, energy services (excluding the production, trading and sale of electricity) and transportation services. Veolia sells these services to a range of clients around the world, including, public authorities, industrial and commercial customers and individuals. In 2003, VE decided to withdraw from activities in the manufacturing and sale of industrial equipment to focus purely on environmental services.

Veolia Environment is divided into 5 main divisions: Water, Waste Management, Energy Services, Transportation and Fomento de Construcciones y Contratas (FCC). Each division is made up of various subsidiaries which undertake a variety of operations.

Water

VE’s water division, known as Veolia Water (http://www.generale-des-eaux.fr/), is the company’s biggest revenue earner bringing in EUR11.34 billion in 2003, 56% of which was earned outside France. Water services, is historically the company’s main division and has produced the most controversy. With more than 77,700 employees around the world, Veolia Water has a presence in close to 70 countries and operates more than 5,000 contracts. Since December 2003, Compagnie Générale des Eaux, a VE subsidiary, has been the main holding company for VE's

5 Veolia Environment Annual Report
water division. USFilter, the US’ main water and wastewater services provider, and Veolia Water Systems, which designs and constructs the structures used to provide water services, are both VE subsidiaries.

**USFilter**

VE has sold all of USFilter’s systems and services businesses to Siemens AG for $993 million. The transaction is expected to go through by November 2004. VEFilter’s sale represents part of a strategic refocusing of VE’s water activities in North America on long-term contracts for both municipal and industrial clients. Along with the sale of parts of USFilter, VE sold Culligan (part of USFilter), Everpure and farmlands held by USFilter in California. Vivendi paid $6 billion for USFilter in 1999, and VE now admits that it lost $4 billion overall with the sale to Siemens. The remaining parts of USFilter are now known as Veolia Water North America.

Veolia Water manages a large number of municipal water and wastewater services under long-term contracts around the world. In France alone, Veolia operates in over 8,000 municipalities. Some of Veolia Waters’ main contract locations include: France, Paris, Lyon and Marseilles; Berlin (Germany); London (UK); Budapest (Hungary); Prague (Czech Republic); Bucharest (Romania); Adelaide (Australia); Indianapolis (US); Pudong (a district of Shanghai); Shenzhen (city near Hong Kong); Tianjin (China); Libreville (Gabon); Rabat (Morocco); and Tanger-Tetouan (Morocco). Veolia Water also counts a number of large multinationals as clients including: General Motors; Conoco; Hyundai; Danone; British Petroleum; Renault; and Arcelor.

**Waste Management**

VE’s waste management operations are run primarily through their subsidiary Onyx (http://www.onyx-environnement.com/). Onyx employs more than 72,100 people worldwide and operates in all segments of the waste management business, serving municipalities and industrial clients. Operating in thirty countries, Onyx’s activities include the following:

- Waste management services and logistics for municipalities and industrial clients including maintenance of public spaces and urban cleansing (street cleaning, graffiti removal etc), cleaning and maintenance of industrial sites, liquid waste management, treatment of contaminated soil, sewage system cleansing, treatment or contaminated soil, and the collection and transfer of waste.
- Sorting and recycling of materials
- Waste treatment (solid and liquid, hazardous and non-hazardous) through incineration, composting and storage
- Final recovery of waste in the form of energy or organic materials

The subsidiary provides services to more than 280,000 industrial and commercial clients. Onyx is also one of the major global players in the treatment of hazardous waste.

**Energy Services**

VE’s energy services operations are run primarily through their subsidiary Dalkia (http://www.dalkia.com/). With more than 41,700 employees and a presence in more than 35 countries, Dalkia is one of Europe’s largest providers of energy related services to companies and municipalities. Dalkia provides services relating to heating and cooling networks, thermal and multi-technical systems, industrial utilities, installation and maintenance of production equipment

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7 The Economist, “The flood dries up”, August 28, 2004
8 ibid
and integrated facilities management. Dalkia also provides public electricity services through its subsidiary Citelum (http://www.citelum.fr/uk/) and services to individuals through another subsidiary Proxiserve (http://www.proxiserve.fr).

Transportation

VE is also involved in the privatization of public transportation systems around the world. Connex (http://www.connex.net) VE’s main transportation subsidiary, is the leading European private ground transporter of passengers in terms of revenue. Connex operates road and rail passenger transportation networks under contract with national, regional and local transit authorities. The public authorities with which Connex contracts generally own the infrastructure and typically establishes schedules, routes and fare structures for the networks that the company operates and manages. Connex has a presence in 20 countries and contracts with approximately 5,000 public authorities. In 2003, Connex operated more than 25,000 road and rail vehicles and employed more than 56,000 people worldwide.

In its urban and intercity transportation sector, Connex has contracts to operate several bus networks and tram and light rail networks in France: Rouen, Saint-Etienne, Nancy (light rail); Nice, Bordeaux, Nancy and Toulon as well as forty other French cities (bus networks). In the rest of Europe, Connex operates tram, light metro lines in Gorlitz and Berlin (Germany), Stockholm (Sweden), Barcelona (Spain), Ireland, Norrkoping (Sweden) and bus lines in Stockholm, Frankfurt, Warsaw, Maastricht and Copenhagen. Connex has also been awarded major contracts in the Czech Republic and Portugal. In North America, Connex provides road transportation services in the Washington D.C. area and Los Angeles. This division also has contracts in Australia, Colombia, Israel and Fairfax County, West Virginia.

Through its regional transportation sector, Connex provides regional transportation services through the operation of road and rail networks. Connex is responsible for designing, planning, operating, maintaining and providing security on the vehicles and stations it uses in its regional networks, as well as for ticket sales and customer service. In this sector, Connex has won contracts in Boston, Massachusetts, Australia, Belgium, Colombia, Denmark, Estonia, Finland, Germany, Israel, Netherlands, Norway, Spain and Sweden.

Fomento de Construcciones y Contratas (FCC)

FCC (http://www.fcc.es/fcc/2003/homeing.htm) is one of Spain’s largest companies with over 61,300 employees. They operate in a number of different environmental and construction related industries with principle markets in Spain and Latin America and significant operations in Western Europe and the US. They are a significant water services privateer in their principle Spanish market. VE has a 49% interest in the company and decisions regarding FCC’s are made divided between VE and its partner. VE and FCC have also created a number of joint ventures which operate or participate in different segments of VE’s business.

FCC is the second largest water and wastewater treatment companies in Spain. It collects processes and disposes of household waste and provides a full range of waste management services, including urban and commercial cleaning services, to Spanish municipalities including Madrid, Barcelona, Valencia, Bilbao, Malaga, Saint-Sebastian and Zaragoza.

1.2 Key Transactions from the Past Few Years

The following list of contracts provides a sense of just how many parts of the world Veolia Environment (and its predecessors) is involved in the management and privatization of water, wastewater and transportation systems. For a complete list of every Veolia Water North America municipal contract in the United States and Canada please visit their website: http://www.veoliawaterna.com/project/projmap.asp
April 2005: Canada – Connex was awarded a contract to operate the express right-of-way bus network in the northern suburbs of Toronto. The 5-year renewable contract begins in September 2005 and will represent earnings of approximately 62 million euros.9

December 2004: Germany – Veolia water Deutschland, VE’s German subsidiary, acquired 74.9% of the Braunschweiger Versorgungs-AG, the city of Braunschweig’s service provider. The city will retain 25.1% of the company, which has an annual turnover of approximately 300 euros.10

November 2004: Los Angeles, California, US – The Southern California Regional Rail Authority awarded Connex North America a five-year contract for the operation of the rail network in suburban Los Angeles. The contract is worth 77 million euros.11

October 2004: Florida, US – Onyx, VE’s waste management division, was awarded a ten-year contract extension to continue its operation, maintenance and management of the Miami-Dade County Resources Recovery Facility. Under the new terms, Onyx will run the facility until 2023.12

October 2004: China – Veolia Water won two municipal management contracts in Hohhot (the capital of Inner Mongolia) and Weinan. The contract in Hohhot involves the rehabilitation and operation, over a period of 30 years, of drinking water and treatment facilities. In Weinan, a town of 300,000, Veolia Water will be involved in the rehabilitation and operation of a drinking water production site.13

July 2004: Michigan, US – Onyx North America was awarded a 20 year contract for solid waste collection, drop-off and transfer station management, and the land filling of solid household and commercial waste for the municipality in Pontiac, Michigan. The total contract value is estimated at $250 million.14

June 2004: Denver, US – Connex, the transport division of VE, won a tender to operate the bus network in the Denver region. The five year contract is worth EUR55 million.15

June 2004: Czech Republic – Veolia Water signed a municipal water sourcing contract with the public water authority for the eastern part of Moravia in the Czech Republic. The 30-year contract covers water production and distribution, customer relations, and wastewater collection and treatment and could be worth EUR360 million.16

May 2004: Russia – Veolia Water signed a EUR70 million contract with St. Petersburg’s water company to build a sludge treatment plant for the North St. Petersburg wastewater treatment plant.17

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May 2004: China – Veolia Water signed two municipal outsourcing contracts, one in Beijing for the construction of a wastewater plant next to the Olympic village, and another in Zun Yi for the rehabilitation of the city’s two drinking water plants.\(^{18}\)

April 2004: Netherlands – Connex won a six year EUR210 million contract to operate regional and urban bus services in the region of Apeldoorn in the province of Gelderland.\(^{19}\)

December 2003: China – Onyx signed a 20 year EUR 260 million concession agreement with the Shanghai Urban Appearance and Environmental Sanitation Bureau and Shanghai Construction Investment Development Corporation for the design, construction, operation, maintenance and transfer of waste for the Laogang Municipal Waste Landfill. Onyx signed the agreement through a 60/40 joint venture between Onyx and Shanghai Chengtou Environmental Industries Development Co. Ltd.\(^{20}\)

December 2003: China – Veolia Water won a major contract worth EUR8.5 billion for municipal outsourcing services with the city of Shenzhen (pop. 2.2 million). The 50 year contract covers the production and distribution of water, customer relations, and the collection and treatment of wastewater.\(^{21}\)

October 2003: Norway – Oslo’s municipality awarded a EUR73 million contract to Veolia Water and its consortium partner AFS for the design and construction of a major water treatment plant.\(^{22}\)

June 2003: Germany – Connex won the biggest ever tender to be awarded to a private company for the operation of a regional passenger rail service. Connex’s German subsidiary NordOstseeBahn will operate a 241KM stretch of line from Hamburg to Westerland. The 10 year contract is worth more than EUR500 million.\(^{23}\)

June 2003: Argentina – Veolia announced it would abandon its water concession through Aguas del Valle in the region of Catamarca unless authorities agreed to raise water tariffs. The company claims that more than half of their 51,000 customers do not pay their water bills.\(^{24}\)

May 2003: Rialto, California – US Filter was granted $12 million agreement to operate a wastewater treatment plant for 5 years, including three 5-year renewals in Rialto California, a city of 95,000.

April 2003: Edwardsville, Missouri – A 15-year contract was signed with US Filter to maintain, and finance, design and construct enhancements to the water and sewer system. The contract is worth $35 million and includes the construction of a new water tower, water storage facility and regional sewage lift station.\(^{25}\)

March 2003: Japan - Veolia Water is poised to enter the Japanese municipal service market once the utilities are more fully deregulated. In 2002, Veolia set up Veolia Water Japan KK.

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\(^{25}\) Riley, J., “Edwardsville will upgrade water, sewer systems” St. Louis Post-Dispatch (Missouri), May 1, 2003
(formerly known as Vivendi) in anticipation of the process and has recently increased its staff at its Tokyo base.\footnote{26}

**February 2003: Algonac, Michigan** – US Filter (Maryland) and Tetra Tech MPS are splitting the cost to further expand a water-filtration plant for the City of Algonac.\footnote{27}

**February 2003: Sydney, Australia** – VE sold two water treatment plants, which supply clean water to $\frac{1}{2}$ million people in Sydney, to investment bank ABN Amro for AUS$250 million. Veolia Water will continue to operate the plants for the length of its 25-year contract while ABN Amro will retain passive ownership.\footnote{28}

**December 2002: California** – US Filter presented a $1.8 billion proposal for a desalination project for the Salton Sea, a salty lake being threatened with increased salination and wildlife loss. The plan proposes to save 10% of the lake by building an inner circle of saltwater and outer circle of fresher water which would support wildlife and could augment California’s water supply.\footnote{29} The authorities did not adopt the US Filter plan and have since proposed their own plan based on a similar framework.

**December 2002: China** – Vivendi Water was awarded two contracts in China worth EUR700 million. In Zhuhai it will operate and invest EUR26 million in two waste water treatment plants over a 30-year contract. The 23-year contract in Baoji includes the renovation and expansion of two drinking water plants with an expected investment of EUR40 million.\footnote{30}

**December 2002: Thuringia, Germany** – Vivendi Environment gained a 10-year contract valued at EUR 130 million to operate water and wastewater services for the city of Gera, representing about 165,000 people. The contract does not give VE responsibility for financial investments.\footnote{31}

**December 2002: Saxony, Germany** – In the town of Weiswasser, Vivendi Environment won a 20-year contract worth EUR 500 million to manage all municipal services for about 40,000 people. The contract is for the city’s water, wastewater and heating services, and gas and electricity distribution.\footnote{32}

**December 2002: Sarasota County, Florida** – US Filter gains a $3.9 million contract to run two wastewater treatment plants.\footnote{33}

**November 2002** – US Filter concluded the sale of its waterworks distribution business for $620 million - part of its divestiture strategy of non-core assets.\footnote{34}

**November 2002: Delta, Ohio** – The Village of Delta awarded US Filter a $1.5 million contract to build a water treatment plant.\footnote{35}

**November 2002: Jamshedpur, India** – Vivendi Water and Tata Steel signed a joint venture, Jamshedpur Water Company, to provide industrial and domestic water to “the Steel City.” With a 49% ownership of the company, it is Vivendi Water’s first major joint venture in India.\footnote{36}

\footnote{26}{“Foreign companies in Japan” The Nikkei Weekly (Japan), March 24, 2003}
\footnote{27}{Sebastian, C., “Algonac sets water-plant work in April” Times-Herald (Port Huron, MI), February 28, 2003}
\footnote{28}{Allen, L., “Vivendi to sell water plants” Australian Financial Review, February 17, 2003}
\footnote{29}{“Firm to turn Salton Sea into water treatment facility” The Business Press/California, December 23, 2002}
\footnote{30}{“Vivendi Environment wins two contracts in China worth 700m Euros” Les Echos, December 17, 2002}
\footnote{31}{“Vivendi Environnement strengthens presence in Germany” VE Press Release, December 20, 2002}
\footnote{32}{Ibid}
\footnote{33}{“Other action” Sarasota Herald-Tribune (Florida), December 18, 2002}
\footnote{34}{“USFilter Completes Sale of Waterworks Distribution Business to National Waterworks, Inc.” Business Wire, November 22, 2002}
\footnote{35}{“USF given $1.5 million water contract” Water Technology News, Vol. 10, No. 8, November 2002}
October 2002: Tampa Bay, Florida – “One of the nation’s largest design-build-operate (DBO) projects for water services” started operation filtering 66 million gallons per day. The 15-year $144 million contract is a public-private partnership between Tampa Bay Water, the public utility that will own the plant, and US Filter, who will operate it. 

October 2002: Rabat-Salé, Morocco – VE took over Redal, a concessionary serving 2 million people with municipal water, wastewater and electricity services, for the remaining 26 years of a 30-year contract valued at EUR 4.5 billion. Compagnie Générale des Eaux (Veolia subsidiary) now owns 51% of Redal with the remainder owned by Compagnie Moracaine des Services et l’Environnement that monitors CGE’s activities in Morocco. As part of the contract, CGE is committed to extending the network to the whole population and improving the quality of services.

September 2002: The Hague, Netherlands – “First ever public-private partnership in the water industry in the Netherlands.” Veolia Water, through Delfluent in which it has a 40% share, won a 30-year build, finance and operate contract for wastewater treatment plants worth EUR $1.5 billion. VE will upgrade and build two plants, as well as a 90 km sewerage network, serving 1.7 million people. Delfluent is also partly owned by two public water distribution companies holding another 40%.

September 2002: Malaysia – Vivendi won an industrial contract to provide water services for Petronas, an oil company which is Malaysia’s largest company. The contact is worth approximately $190 million US over 20 years.

July 2002: Alabama US – US Filter was awarded a 10 year $7 million contract to operate, maintain and manage the drinking water treatment system in five Alabama communities (Prattville, Holtville, Tri-community, Wetumpka, and Milbrooke)

May 2002: China – Vivendi won a huge water contract in Shanghai worth almost $10 billion US. The deal is for Vivendi to operate and manage the water distribution services of Pudong, the business district of Shanghai, for 50 years. Vivendi Environment, as part of the deal, acquired 50% of a joint venture called Shanghai Pudong Vivendi Water Corporation (for approximately $250 million US). The contract is to provide drinking water for 550,000. Henri Proglio, CEO of Vivendi Environment, sees this contract as the beginning of positioning Vivendi even further in the Chinese market, stating that “the potential of the Chinese market is gigantic”.

March 2002: Indianapolis, US – Vivendi was given a contract to manage the city’s waterworks system under a 20-year public-private partnership valued at approximately $1.5 billion. This is the largest ever contract awarded in the United States to a private corporation for operation of water services.

November 2001: Louisiana, US – US Filter was awarded a contract to design and supply a wastewater treatment plant for Calcasieu refining in Lake Charles, LA

July 2001: Italy – Vivendi procured a 40% stake in a 30-year deal to manage the water supply, sewage and water treatment for the Latina region of Italy inhabited by 600,000 people

March 2001: South Korea – Vivendi was awarded two contracts in South Korea. In the city of

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36 “Tata Steel, Vivendi Water signs MoU” The Times of India, November 19, 2002
37 “Tampa Bay Water and USFilter Bring Nation’s Largest Design-Build-Operate Water Project Online” Business Wire, October 16, 2002
38 “Vivendi Environnement takes over concession contract for water, wastewater and electricity services for Rabat-sale in Morocco” VE Press Release, October 25, 2002
39 Vivendi Environnement and Partners… win contract to design, build, finance and operate wastewater treatment plants…” VE Press Release, September 30, 2002
40 “Water Giant Hopes that China deals open the floodgates”, Financial Post (National Post), May 23, 2002
Inchon, Vivendi will provide the construction and 20-year operation of two wastewater treatment plants. In the state of Chilgo the contract is for the operation of two existing waste water treatment plants over 23 years and the design, financing and construction of a new plant. Expected revenues for both contracts are estimated at over EUR 20m per years. Total investment was estimated at EUR 145m, of which Vivendi Water would provide EUR 30m with the remaining being funded by South Korean public bodies and financial institutions.

March 2001: China – Vivendi was awarded US $20m, 20-year contract to operate and renovate a water plant in Tianjin, China.

February 2001: Oregon, US – The town of Wilsonville awarded U.S. Filter a contract to operate the city's new water treatment plant. It is a five year contract plus a five year renewal option worth $5.5 million.

February 2001: Morocco – A consortium led by Vivendi Water won two 25-year concessions to operate the water supply and sanitation and electricity distribution systems in the northern Moroccan towns of Tangiers and Tetouan. The two concessions were estimated at being worth US$ 350 million, expected total revenues for the first year of operation amounted to EUR 105m.

February 2001: Hungary – The city of Szeged, Hungary's city council announced the continuation of a contract with Vivendi over water to 2015. This is a contract that had been terminated by city council in 1999, but this decision reversed that termination plan.

Jan/Feb 2001: Niger – Vivendi Water was awarded a EUR 150m renewable lease contract to provide water services for the entire country of Niger, following a World Bank-sponsored international tendering procedure. This is a ten year renewable contract. The World Bank would also provide most of a EUR 35m investment finance package.

January 2001: Czech Republic – Prague awarded Vivendi Water a 13-year concession to operate water supply and sanitation in Prague, Czech Republic as well as a 66% equity stake in Prague's water company PVK for EUR 174m. Expected yearly revenues were estimate at EUR 11m. In June 1999, the EIB issued a 150year EUR 50m to the City of Prague to finance leakage reduction and improvements to the “efficiency and profitability” to wastewater treatment plants.

January 2001: Burkina Faso – Vivendi Water was awarded a 5-year support and service contract in Burkina Faso, supported by World Bank financing. The contract covers the management of customer service and finance activities and aims to support a program that will lead to the opening of the Ziga dam.


November 2000: Kenya – Vivendi was awarded a $25million contract with Nairobi to cover all aspects of water management, including establishment of reservoirs and distribution systems. The tendering process had been conducted by the World Bank in the early 1990s but its implementation was delayed by the Bretton Woods institutions' suspension of aid to Kenya.


October 2000: Canada – Goderich, Ontario selected US Filter to operate the town's water and wastewater systems public private partnership. The contract is for 5 years with a five year option.

May 2000: Kentucky – Floyd River, Kentucky awarded U.S. Filter a 20 year contract to expand
and operate rural water service. The project includes the finance, design, and construction of 21 miles of new water lines, 3 pumps and 3 tanks. US Filter will also handle the system operations and maintenance for the next 20 years.

April 2000: Romania – Vivendi won a 25 year tender for the Bucharest Water Services, a $1 billion investment over the 25 years.41

March 2000: Chad/Kenya – Vivendi was awarded a contract to take over Chad’s public water and power services and gained a 10 year contract with the Nairobi water services department.

March 2000: Syria – Vivendi subsidiary OTV was awarded a contract in Syria to design and build two waste water processing plants that will treat discharges from the towns of Lattaqui and Tartous. The contract was worth 172 million Francs.

March 2000: Romania – Vivendi was awarded a 25 year contract in Bucharest for FFr400m. Vivendi will provide water and pipeline rehabilitation services.

March 2000: Czech Republic – Vienda and SAUR (50/50 joint venture) were awarded a 20-year water and wastewater contract in Olomouc, Czech Republic for an estimated total net sale of euros 200m.

January 2000: Chad – Vivendi was awarded a 30 year contract to manage Chad’s state owned power and water company. The French aid agency gave the government of Chad a grant of around 3.5bn CFA francs to help with the privatization exercise.

January 2000: Lebanon – Vivendi was awarded $200 million contract to build-own and operate Awali-Beirut water conveyor project in Lebanon.

1.3 Executive Committee42

The committee analyzes, consults on and makes decisions concerning the company’s main strategic priorities. CEO and Chair of the Board Henri Proglio was paid EUR1,423,886 in 2003. The total gross remuneration paid by the company to senior executives totaled EUR900,000 in 2003. The executives’ actual annual income is higher when bonuses and stock options are taken into account.

Henri Proglio – Chair and Chief Executive Officer
Jérome Contamine – Senior Executive Vice President
Olivier Barbaroux – Executive Vice President (Energy Services).
Eric Marie de Ficquelmont – Executive Vice President (Human Resources)
Antoine Frérot – Executive Vice President (Water)
Denis Gasquet – Executive Vice President (Waste Management).
Stéphane Richard – Executive Vice President (Transportation).

1.4 Board of Directors

Henri Proglio – Chair and CEO of VE
Jean Azema – Azema is the CEO of Groupama SA and Fédération Nationale Groupama
Daniel Bouton – Bouton is Chair and CEO of Société Générale.
Jean-Marc Espalioux – Espalioux is the Chair of the Management Board of Accor

41 “Vivendi wins tender for Bucharest water services”, European Report, April 5, 2000
42 The political profile below outlines Veolia’s intimate links with the French government through its executive committee and board of directors
Jacque Espinasse – Espinasse is Executive Vice President and Chief Financial Officer of Vivendi Universal
Paul-Louis Girardot – Girardot is Chair of the Supervisory Board of Compagnie Générale des Eaux
Philippe Kourilsky – Kourilsky is Chief Executive Officer of the Institut Pasteur
Arthur Laffer – Laffer is Chair and Chief Executive officer of Laffer Associates and Laffer Investments.
Francis Mayer – Mayer is the Chair and CEO of Caisse des Dépots et Consignations.
Serge Michel – Michel is Chair of Soficot
Baudouin Prot – Prot is Director and CEO of BNP Paribas.
Georges Ralli – Ralli is the Executive Vice President of Lazard Frères SAS.
Louis Schweitzer – Schweitzer is Chair and CEO of Renault.
Murray Stuart – Stuart is a member of the European Commission of Crédit Lyonnaise.

1.5 University Links

Veolia Environment is linked with a number of universities around the world through research and development collaborations and board memberships. VE’s involvement has the potential to influence education and training to favour the involvement of multinationals in the management of public services. Some of these links are highlighted below.

- Philippe Kourilsky, who sits on VE’s board of directors, is a professor at the College de France in Paris.

- In September 2003, VE and the Urban Environment Institute (UEI) entered into a partnership agreement with Tsinghua University and Yale University to “create a training program for public service management in the fields of the environment and sustainable development”. The program is set up to “target mayors and senior local government officials with responsibility for urban planning and infrastructure construction. The aim is to raise their awareness about integrating environmental protection and sustainable development concepts into their decision-making processes. As part of the program, participants will make an intensive study trip to Europe to meet decision-makers and visit facilities”.  
  
- Connex Australia, the Australian subsidiary of VE’s transportation division, has created the Urban Systems professional training institute in partnership with Victoria University. Connex Australia wanted to create a training institute in the image of VE’s European research centre Campus Veolia Environment. The Institute specialises in training railway operators and also organizes seminars on company management. Courses are developed and organized by Connex Australia’s human resources department with the contribution of the staff from the company and the university.

- VE has a partnership with the University of Cergy Pontoise for a degree program in urban services management.

- In addition to the above links, VE has academic partnerships with the following universities around the world:
  - Brazil: Sao Paolo University
  - China: Tonghi University (Shanghai)

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Czech Republic: Czech Technical University
Estonia: Dalkia and the Technical University of Tallin
France: ESSEC; Higher School for Sales (Saint-Germain-en-Laye); National Higher School for Industrial Technological Engineering (Pau); School of water trades (Rennes); Higher industrial Studies School (Lille); Mining School (Douai); AFPA; CCI Versailles, Val-d’oise, Yvelines
Morocco: ISCAE (Casablanca)
Spain: Madrid University
Sweden: Lund University
UK: Leeds University, University of Sheffield, Imperial College of London
US: University of Florida, Argonne and Irvine laboratories, Ecole Polytechnic de Montreal

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Economic Profile

Although VE has a long history of operations in France through its water division, it is a relatively young company (2003). Recently it has dealt with its separation from its financially troubled former majority shareholder, Vivendi Universal. The combination of a competitive environmental services industry and a high debt load, had placed VE in a fairly unstable economic position. In 2003 rating agency Moody’s changed its outlook for VE from ‘negative’ to ‘stable’. During the same fiscal year, the corporation was able to marginally reduce its net debt through the sale of certain assets among other actions. Debt reduction will remain a major focus point for 2004 and 2005.  

In terms of future plans and markets, CEO Proglio has stated that Europe, North America and Asia represent VE’s three growth areas. In the company’s 2003 annual report Proglio stated: “in some Asia-Pacific countries the conditions are right for profitable expansion under long-term partnerships. That is the case in China and Australia, for example”. Judging from VE’s recent contract history in China and Eastern Europe (Czech Republic, Romania) it seems as if this strategy is in full swing.

2.1 Financial Data

All Figures in Euros.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>24.67 billion</td>
<td>28.60 billion</td>
<td>(13)%</td>
</tr>
<tr>
<td>EBIT (Earnings Before Taxes and Amortization)</td>
<td>1.61 billion</td>
<td>1.75 billion</td>
<td>(8)%</td>
</tr>
<tr>
<td>Net Income</td>
<td>125 million</td>
<td>(2.05) billion</td>
<td>106%</td>
</tr>
<tr>
<td>Net Debt</td>
<td>9.79 billion</td>
<td>11.80 billion</td>
<td>(17)%</td>
</tr>
</tbody>
</table>


VE’s loss in revenue and income in 2003 can be attributed to their withdrawal from activities in the manufacturing and sale of industrial equipment for the water industry, concentrated in USFilter.

<table>
<thead>
<tr>
<th></th>
<th>Jan 1 – March 31 2005</th>
<th>Jan 1 – March 31 2004</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6.15 billion</td>
<td>5.56 billion</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

(Source: VE Press Release, May 10, 2005)

Revenues by Sector

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>9.8 billion</td>
<td>11.34 billion</td>
<td>(13)%</td>
</tr>
<tr>
<td>Waste Management</td>
<td>6.2 billion</td>
<td>5.97 billion</td>
<td>3%</td>
</tr>
<tr>
<td>Energy Services</td>
<td>5 billion</td>
<td>4.65 billion</td>
<td>7%</td>
</tr>
<tr>
<td>Transportation</td>
<td>3.6 billion</td>
<td>3.67 billion</td>
<td></td>
</tr>
</tbody>
</table>

(Source: VE 2004 Annual Report)

2003 Revenues by Geographic Region

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47 Veolia Environment Annual Report
48 Ibid
<table>
<thead>
<tr>
<th></th>
<th>Water</th>
<th>Waste</th>
<th>Energy Services</th>
<th>Transport</th>
<th>FCC</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>8.17 billion</td>
<td>4.10 billion</td>
<td>4.58 billion</td>
<td>3.34 billion</td>
<td>2.84 billion</td>
<td>23.05 billion</td>
<td>80.6%</td>
</tr>
<tr>
<td>France</td>
<td>6.11 billion</td>
<td>2.64 billion</td>
<td>2.91 billion</td>
<td>1.34 billion</td>
<td>6.7 million</td>
<td>13.02 billion</td>
<td>45.6%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>2.06 billion</td>
<td>1.45 billion</td>
<td>1.67 billion</td>
<td>1.99 billion</td>
<td>2.84 billion</td>
<td>10.02 billion</td>
<td>35%</td>
</tr>
<tr>
<td>Americas</td>
<td>2.15 billion</td>
<td>1.40 billion</td>
<td>40.8 million</td>
<td>190.3 million</td>
<td>113.9 million</td>
<td>3.89 billion</td>
<td>13.6%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>1.01 billion</td>
<td>464.2 million</td>
<td>30.7 million</td>
<td>142.4 million</td>
<td>3.5 million</td>
<td>1.65 billion</td>
<td>5.8%</td>
</tr>
<tr>
<td>Africa-Middle East</td>
<td>620.9 million</td>
<td>73.7 million</td>
<td>11.9 million</td>
<td>11.5 million</td>
<td>2.3 million</td>
<td>720 million</td>
<td>2.5%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>391.4 million</td>
<td>390.4 million</td>
<td>18.7 million</td>
<td>130.8 million</td>
<td>1.2 million</td>
<td>932.7 million</td>
<td>3.3%</td>
</tr>
<tr>
<td>Total</td>
<td>11.33 billion</td>
<td>5.97 billion</td>
<td>4.65 billion</td>
<td>3.67 billion</td>
<td>2.96 billion</td>
<td>28.60 billion</td>
<td>100%</td>
</tr>
</tbody>
</table>

% of total: 39.6% 20.9% 16.3% 12.8% 10.4% 110%

(Source: VE 2003 Annual Report 20-F)

2.2 Lawsuits

2001-2003 – In February 2001, Compagnie Générale de Eaux was notified by the French Competition Council (Conseil de la concurrence) of a complaint alleging that several joint ventures it had formed with other water multinationals were affecting the level of competition in the market. In 2002, the Council found that the joint ventures constituted a ‘collective dominant position’ in the French water services market, and requested that the French Ministry of Economy, Finance and Industry take necessary measures to terminate the anticompetitive practices of the companies. None of the companies involved in the joint ventures were fined or punished.⁴⁹

1997-2003 – In December 2003, Onyx Méditerranée, a subsidiary of VE’s waste management division Onyx, was ordered by the criminal court of Aix-en-Provence to pay a EUR100,000 fine for the destruction of 3,500 hectares of scrubland by fire. The fire started in a landfill site operated by Onyx Méditerranée. A number of civil suits are still pending.⁵⁰

March 2001 – Vivendi and AOL Time Warner struck a deal in Europe as Vivendi gave up its shares in AOL France for shares in AOL Europe. The two companies will also enter into other distribution and marketing activities. Questions have been raised about the anti-competitive nature of two huge direct rivals holding shares in each other’s companies and in working together on business activities.

1999-2001 – Several criminal probes into Vivendi’s shareholder conduct during former CEO Messier’s control are being undertaken by both French and US authorities including the French Commission des Operations de Bourse (COB) and U.S. Securities and Exchange Commission, as well as the US Department of Justice.⁵¹

The COB said that Vivendi Environment misled investors over its US losses in 1999-2000 relating to its purchase of US Filter to avoid plunging itself into the red and pay taxes.⁵² In 2000 it reported

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⁴⁹ Veolia Environment Annual Report
⁵⁰ ibid
⁵¹ “VE Inquiry Continues” Le Monde, December 28, 2002
⁵² “Vivendi Environment misled investors over US losses says COB – report” AFX European Focus, December 27, 2002
a profit of EUR 625 million but in 2001 it reported a loss of EUR 2.25 billion after being forced to change its accounting methods by the regulator.

In January a class action lawsuit was filed in the United States on behalf of shareholders who claim that Messier misrepresented its financial position, thus inflating Vivendi’s share price, and used the inflated shares to aggressively bid for public companies at excessive prices. They also allege that the revenues for US Filter were improperly booked, inflating earnings.

April 2000 – A subsidiary of Veolia Water, SADE, along with 40 other corporations came under investigation by the French Competition Council. The investigation stems from alleged anticompetitive practices in respect to public bids for 44 public sector construction contracts in the Ile-de-France department, which includes Paris and its suburbs. In 2002, the Council reduced the number of contracts under review to 32, four of which involve SADE. The case is still pending.

2.3 Public Relations

As documented above VE has a poor social and environmental track record. To counter this VE uses its affiliations with organizations like the United Nations (Global Compact) and the World Water Council (see political profile below) to project an image of a caring, responsible and green corporation. Through these affiliations and with the help of numerous advertising and public relations agencies around the world, VE has had some success in promoting water privatization while hiding their questionable social and environmental track record.

Some of the advertising and public relations firms used by VE’s and its subsidiaries include: Edelman in France; and Noguchi Porter Novelli in Hungary.

53 Johnson, J., Thal Larsen, P., “Vivendi prepares to face legal scrutiny: Jean-Marie Messier faces the possibility of a class action in the US courts” Financial Times (London), January 10, 2003
54 Ibid
Political Profile

3.1 Political Connections

A number of VE’s directors and high level executives have held powerful positions in the French and US governments. These links give VE important access to policy makers in Europe and North America.

Olivier Barbaroux – Barbaroux is a VE’s Executive Vice President of Energy Services. In 1979 he held the position of head of the International Investments Bureau at the French Ministry of Industry. In 1981 he was appointed to the Port Authority of Marseilles-Fos first as Director of New Construction and Ship Repair and then in 1983 as Director of Marseilles Terminals and Facilities.55

Daniel Bouton – Bouton sits on VE’s board of directors and is the Chair and CEO of Société Générale. Bouton has occupied a number of positions in the French Government including the Ministry of Economy, Finance and Industry where he was Budget Director, between 1988 and 1991.56

Denis Gasquet – Gasquet is VE’s Executive Vice President of Waste Management. From 1979 to 1989, Gasquet held a number of positions in the French Government’s Office National des Forêts.57

Arthur Laffer – Laffer sits on VE’s board of directors and is the Chair and Chief Executive officer of Laffer Associates and Laffer Investments. Laffer has held a number of positions in the United States Government including: Economic Director of the Federal Office of Management and Budget (1970); special advisor to the Secretary of the Treasury and to the Secretary of Defense (1972-1977); and a member of the Presidential Council of Economic Advisors (1981-1989). Laffer is also a founding member of the Policy Consultative Committee of the United States Congress.58

Francis Mayer – Mayer sits on VE’s board of directors and is the Chair and CEO of Caisse des Dépots et Consignations. Mayer joined the French Finance Ministry in 1986, where in 1994 he became the Deputy Director.59

Baudouin Prot – Prot sits on VE’s board of directors and is the CEO of BNP Paribas. From 1974 to 1983 Prot held the positions of Deputy Prefect of the Franche Comté region of France, the French General Inspector of Finance, and the Deputy Director of Energy and Raw Materials of the Ministry of Industry.60

Stéphane Richard – Richard is VE’s Executive Vice President of Transportation. In 1991 Richard held the position of technical advisor at the Ministry of Industry and Exterior Commerce.61

Louis Schweitzer – Schweitzer sits on VE’s board of directors and is the Chair and CEO of Renault. From 1981 to 1986, Schweitzer served as Chief of Staff of Laurent Fabius, who was Deputy Minister of Budget, Minister of Industry and Research and Prime Minister of France.62

55 ibid
57 ibid
58 ibid
59 ibid
60 ibid
61 ibid
62 ibid
3.2 Affiliations with big business associations and other international agencies

Big business associations are indispensable tools for corporations like VE 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 is the best choice for managing water and sanitation services. Maude Barlow and Tony Clarke 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.”

World Water Council (WCC) – Formed in 1996 the WCC sees itself as a think tank designed to provide decision makers with advice and assistance on global water issues. The group is made up of 175 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.

European Union

In 2002 during General Agreement on Trade in Services negotiations at the World Trade Organization, the European Union asked 72 WTO member states, many of them from the South, to open their water and waste water management systems to international competition. Corporate Europe Observatory, a European corporate watchdog group, reported that the European Commission, which coordinates the EU’s position at the WTO, worked closely with large water services multinationals, including Vivendi, when putting together their position for the GATS negotiations. Privatizing water markets through the GATS is in the best interest of large water multinationals and may make the privatization of water services irreversible.

United Nations – VE 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** – VE is a participant in the Global Compact, the United Nations’ effort to push for more corporate responsibility. The Global Compact is an agreement based on ten principles of human rights, environmental protection, labour rights and corruption designed to promote ‘responsible corporate citizenship’. The Global Compact is a voluntary initiative which is not defined as a binding set of regulations nor as a code of conduct for companies. UN Secretary General Kofi Annan defines the Global Compact as a dialogue forum to promote mutual learning among corporations. To become members of the Global Compact, a corporation’s CEO must send a letter to Secretary General Kofi Annan expressing support for the Compact and its principles, set in motion changes to business operations so that the Compact will become part of the company’s business strategy, culture and day-to-day operations. Compact members are also expected to publicly advocate the Global Compact through press releases and speeches. In a statement released by EarthRights International in June 2004 in response to the UN’s Global Compact Leaders’ Summit, the group said that the Global Compact “cannot adequately address corporations’ negative social and environmental impact...[it] distracts Governments and the UN from necessary steps to

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64 Ibid
establish an effective intergovernmental framework on corporate accountability...[it] provides little but a public relations cover for global corporate malefactors. 67

- **United Nations Economic Commission for Europe (UNECE)** – Veolia Water, along with Procter and Gamble, Suez and Eurochlor, participated in the second meeting of the Signatories to the Protocol on Water and Health held at the UNECE. The meeting was called to assess potential achievements in preventing, reducing and controlling water related diseases in Europe as well as to establish systems for saving drinking water supply and sanitation. At the meeting, participating corporations arranged a series of workshops on public private partnerships in countries in Eastern Europe, the Caucasus and Central Asia. 68 VE’s participation in the meeting is a clear example of how water multinationals use organizations like the UN to promote the privatization of essential services.

- **United Nations Education, Scientific and Cultural Organization (UNESCO)** – In October 2002, both Vivendi and Suez sponsored a UNESCO conference on the legal framework for water. The conference resulted in a report bearing the logos of UNESCO, the Academie de l’Eau and the logos of the two companies. In another link to UNESCO, Vivendi’s representative at the 3rd World Water Forum in Kyoto was introduced as representing the company as well as UNESCO. 69

**World Business Council for Sustainable Development (WBCSD)** – The WBCSD is a coalition of 170 international companies which claim to be committed 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 VE 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”. 70 The group’s membership boasts such environmentally and socially responsible corporations as, British Petroleum, Chevron/Texaco and Shell.

**European Services Forum (ESF)** – The ESF represents the interests of service industries across Europe. This influential lobby group represents VE and its 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”. 71

### 3.3 Corporate Welfare

Veolia Environment receives large amounts of financing from international financial institutions (IFIs) and government aid agencies. Money from IFIs, such as the European Bank for Reconstruction and Development and the World Bank, for service infrastructure and urban renewal projects around the world, inevitably ends up in the hands of large service multinationals

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69 Hall, D., Lobina, E., de la Motte, R., “Public solutions for private problems?: Responding to the shortfall in water infrastructure investment”, Public Services International Research Unit, September 11, 2003
like VE. Companies like VE, who lobby hard for public private partnerships, are the real beneficiaries of the privatization goals of large lending institutions. The list below outlines a selection of cases where VE has received public funds through IFIs in order to finance large contracts.

**July 2004: Russia** – In July 2004 Veolia Water signed a contract with St. Petersburg’s water company to build a sludge treatment plant. The project is being partially financed by the European Bank for Reconstruction and Development (65%).

**October 2003: China** – Veolia Water was awarded a 20-year EUR50 million contract to operate the Lugouqiao wastewater treatment plant near Beijing. The city plans on building six new wastewater plants before the 2008 Olympics. The Beijing wastewater plant project will be financed primarily by the World Bank.

**December 2002: Romania** – In December 2002, the European Bank for Reconstruction and Development provided Bucharest’s private water company Apa Nova, which is majority owned by Générale des Eaux, with EUR55.4 million loan to help with the completion of a water treatment plant. The loan is complemented by another EUR 18.5 million loan from the German government’s finance corporation DEG. Générale des Eaux benefits greatly from this type of financing from multilateral lending agencies who claim to be helping emerging economies but end up supporting profit driven multinationals.

**October 2001: Eastern Europe** – VE’s energy subsidiary, Dalkia, signed a EUR100 million financial framework agreement with the European Bank for Reconstruction and Development which will permit Dalkia International to invest in urban heating network projects in Central and Eastern European countries, as well as in the Baltic States. The investment builds on EUR50 million in projects developed by Dalkia since 1996.

**July 2001** – European Bank for Reconstruction and Development (EBRD) plans to loan Vivendi EUR100 million for investment in Vivendi Telecom Hungary (VTH), the second largest provider of fixed line telecommunications services in Hungary. It is to help VTH to consolidate its regional operations into a single nationwide structure and to create a fixed line network in Hungary.

**March 2001: South Korea** – Vivendi was awarded two contracts in South Korea. In the city of Incheon, Vivendi will provide the construction and 20-year operation of two wastewater treatment plants. In the state of Chilgo the contract is for the operation of two existing waste water treatment plants over 23 years and the design, financing and construction of a new plant. Expected revenues for both contracts are estimated at over EUR 20m per years. Total investment was estimated at EUR 145m, of which Vivendi Water would provide EUR 30m with the remaining being funded by South Korean public bodies and financial institutions.

**Jan/Feb 2001: Niger** – Vivendi Water was awarded a EUR 150m renewable lease contract to provide water services for the entire country of Niger, following a World Bank-sponsored international tendering procedure. This is a ten year renewable contract. The World Bank would also provide most of an EUR 35m investment finance package.

**January 2001: Czech Republic** – Prague awarded Vivendi Water a 13-year concession to operate water supply and sanitation in the city, as well as a 66% equity stake in Prague’s water

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74 European Bank for Reconstruction and Development press release, “EBRD and DEG help improve water services in Bucharest”, December 19, 2002
75 European Bank for Reconstruction and Development press release, “Making Eastern Europe more energy efficient”, October 22, 2001
76 Briefing Asia Banking, Asia Pulse, March 14, 2001
company PVK for EUR 174m. Expected yearly revenues were estimate at EUR 11m. The company will directly benefit from a June 1999 European Investment Bank EUR 50 million loan to the city to finance leakage reduction and improvements to the “efficiency and profitability” of wastewater treatment plants.77

**January 2001: Burkina Faso** – Vivendi Water was awarded a 5-year support and service contract in Burkina Faso, supported by World Bank financing. The contract covers the management of customer service and finance activities and aims to support a program that will lead to the opening of the Ziga dam.78

**December 2000: Kazakhstan** – The European Bank for Reconstruction and Development announced in December 2000 two investments in Kazakhstan worth $150 million. Part ($6.3 million) of the investment was loaned to the capital city’s (Almaty) water and sewage company which is majority owned by Générale des Eaux.79

**January 2000: Chad** – Vivendi was awarded a 30 year contract to manage Chad’s state owned power and water company. The French aid agency gave the government of Chad a grant of around 3.5bn CFA francs to help with the privatization exercise.80

**September 1999** – The European Investment Bank loaned $26.5 million US and the Asian Development Bank loaned $48 million US for project financing of the Chengdu Water Treatment Plant. Funds went to Générale des Eaux to provide engineering, procurement, construction, and operation of the plant.81

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78 Hall, D., Lobina, E., de la Motte, R., “Public solutions for private problems?: Responding to the shortfall in water infrastructure investment”, Public Services International Research Unit, September 11, 2003
79 European Bank for Reconstruction and Development press release, “EBRD announces significant new commitments to Kazakhstan; encourages authorities and foreign investors to work together”, December 8, 2000
80 “France gives Chad 4.8 million dollars to privatise utilities”, Agence France Presse, July 13, 2000
Social Profile

1.2 Problem contracts and controversies

2005: Gabon – The Gabon energy and Water Company (SEEG), which is 51% owned by Veolia, was reprimanded by the Gabonese Government in early 2005. The Government blamed SEEG for recent water shortages in the capital city accusing the company of not wanting to invest in the short, medium or long for the production, transport and distribution of water. To deflect criticism SEEG purchased a full-page advertisement in the government newspaper L’Union to offer apologies and claim that service had almost returned to normal.

2004: Lee, Massachusetts – After 4 years of lobbying by Veolia Water North America, town representatives of Lee, Massachusetts voted 41-10 against granting the corporation a 20 year contract to run the municipality's public water and wastewater systems. Community organizers waged a successful campaign against the privatization of the essential services, raising doubts about the company’s promise that current employees would keep their jobs. Resistance to privatization in a small community like Lee is a good example of how large multinationals are vulnerable to well organized and persistent action.

1996-2004: Angleton, Texas – The City of Angelton terminated its contract with Veolia Water North America, saying that the company did not provide the promised level of service. The company had been running the city's wastewater treatment plant and maintaining the city's streets since 1996. Since the contract was terminated, the city and Veolia Water North America have been embroiled in a number of lawsuits.

2002 – 2004: Indianapolis, Indiana – Indianapolis authorities are realizing the mistake they made when they bought a 130-year old water utility from NiSource in 2002 and handed it over to US Filter instead of keeping it a public utility. Since US Filter was awarded the contract, lawsuits have been filed and customer complaints have gone up by 250% for the water utility, which serves over 1 million.

Within one month of requesting management proposals, US Filter was granted a contract. Opponents criticized the excessive secrecy and “fast-tracking” surrounding the agreement. At its first opportunity, the company, limited by the contract from firing employees in the first two years, began to cut corners by slashing employee benefits. A report by Public Citizen, member of the Indianapolis Citizen’s Water Coalition, states that “non-union employees lost their valuable “defined benefit” pension; health care coverage was reduced, vacation time, personal days, sick days and holidays were all reduced. The employees claim that over $9000 in annual benefits have been lost or $4.3 million per year. Employees are angry and fearful as talk of the first layoffs in 130 years circulate. CEO Jim Keene told employees, “Being fair does not mean having a job for life.” The employees have brought a federal lawsuit against the City charging breach of contract.

A second lawsuit against the City was filed in April 2003 by three local taxpayers challenging the legality of the contract. They claim that the City ignored the law by establishing the Department of Waterworks to oversee the water utility without the permission of the Department of Public Utility

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82 “Privatized Gabon water firm says supplies have resumed”, Agence France Presse, February 1, 2005
84 Zen Zheng, C., “City appeals judge’s ruling” The Houston Chronicle, June 24, 2004
– an Indiana State law ensures that any new utilities in the county must fall under the supervision of the local public utility office. They also claim that the Citizens Gas & Coke Utility would have been in a better position to manage it as a public water utility. Since taking control, net income of the utility has dropped 19% and revenue has dropped 25%. The founding member of the Indianapolis Board of Waterworks, who wrote a letter to the media condemning the 2002 purchase, quit after the Board passed a resolution limiting its members from speaking with the media regarding the utility. The lawsuit is still in the courts.  

In the summer of 2002, almost 16,000 customers were over-billed by successive computer glitches by the US Filter-owned billing company. Recently, US Filter’s decision to cut back on fire hydrant testing was made public when frozen fire hydrants prevented the control of a fire, which engulfed several buildings. The Indianapolis Star noted that the company was taking steps to repair the damage it had caused – “Apparently unaccustomed to working with community groups, USFilter convened a citizen’s advisory group, as is required by its agreement with the city, but had no members with experience in water utility or environmental matters”.  

2003: Poughkeepsie, NY – Repeated failures of US Filter to remedy the foul odours coming from the water treatment plant they operate have prompted City officials to look elsewhere for potential bidders when the contract expires in 2005. The plant has had to be shut down several times over the last year during special events. US Filter has said it plans to bid for the contract again.  

1998-2004: Rockland, Massachusetts – In February 2004, the town of Rockland Massachusetts terminated its 10 year $1.2 million contract with US Filter to run the town’s sewage treatment plant on the advice of the state Office of the Inspector General. The Inspector General determined in 1998 that the contract was tailored to US Filter to the exclusion of other bidders. Rockland Town Administrator Bradley Plante sent a letter to Veolia Water North America President Michael Stark stating that there was “clear evidence that indicates collusion between former superintendent Gregory Thomson and US Filter Regional District Manager Sause which resulted in a violation of the competitive bidding process”.  

The termination of the contract came on the heels of an audit of the town’s sewer department, which found widespread misuse of town money at the plant. The audit detailed about $77,000 in fraudulent invoices charged to the town between 1998 and 2002. To make matters worse, when the contract ended, Veolia Water North America allegedly helped themselves to a large amount of equipment without paying the city. Town officials say the company should pay $1.6 million for what they allegedly took.  

In September 2004, Gregory Thompson pleaded guilty to charges of embezzlement and was ordered to pay back the $336,000 he admitted stealing from the town. Thompson said that he and Michael Sause, a district manager for US Filter, submitted phony invoices to the company and intercepted reimbursement checks. According to Thompson, the two also stole funds US Filter had reimbursed to the town from wage, equipment, maintenance, and electricity accounts. Sause is accused of working with Thompson to steal over $160,000.  

87 Tully, Mathew “Water Board member angrily quits” The Indianapolis Star, June 18, 2003  
88 Miller, J., “Water company not yet over dam” The Indianapolis Star, April 30, 2003  
92 Stockton, P., “Sewer debacle in Rockland continues with theft probe”, The Patriot Ledger, April 23, 2004  
US Filter/Veolia Water North America has denied any wrongdoing and actually sued the town for terminating its contract. The town is countersuing in US district court.95

1999-2004: New Orleans – In August 2004, five years and $5.7 million later, the Sewerage & Water Board of New Orleans ended its flirtation with privatization.96 Throughout the 5 year process of consultations and studies, US Filter remained one of the top potential bidders for a $1.5 billion contract to run New Orleans’ water and sewer systems. The initial bidding process by Suez’ United Water and US Filter, now Veolia Water North America, was voted down in October 2002 after heated public opposition. The drive to privatize was revived in January 2003, but only one bid from US Filter was put forward raising fears that the city would not get a competitive price for the contract.

There were also persistent rumours that US Filter may have had an ‘inside track’ for the contract. There was speculation that US Filter was confident that they would be awarded the contract so they ‘stuck around’ for the revived privatization drive in 2003. This confidence is believed to come from the company’s efforts to hire consultants close to Mayor Ray Nagin and Eddie Sapi, the City Councilman who serves on the water board and spearheaded the privatization drive.97 In the end it was Mayor Nagin who killed the privatization drive.


Vivendi’s management of Puerto Rico’s water authority, PRASA, through its subsidiary Compania de Aguas, was strongly criticized by a Puerto Rican government report in August 1999 for failing to adequately maintain and repair the state’s aqueducts and sewers. According to Interpress news agency, “The Puerto Rico Office of the Comptroller [Contralor] issued an extremely critical report on the PRASA-Compania de Aguas contract. The document lists numerous faults, including deficiencies in the maintenance, repair, administration and operation of aqueducts and sewers, and required financial reports that were either late or not submitted at all.” The Interpress account of the comptroller’s report went on to say, “Citizens asking for help get no answers, and some customers say that they do not receive water, but always receive their bills on time, charging them for water they never get. A local weekly newspaper published reports of PRASA work crews who did not know where to look for the aqueducts and valves that they were supposed to work on.” What’s more, the 1999 comptroller’s report showed that under private administration, PRASA’s operating losses has kept increasing and has now reached US $241 million. As a result, the Government Development Bank (Banco Gubernamental de Fomento) has had to step in several times to provide emergency funding.

In May 2001, the Puerto Rico Office of the Comptroller issued another report about PRASA’s performance, identifying 3,181 deficiencies in the administration, operation, and maintenance of the water infrastructure. Among these, the Comptroller reports that PRASA’s operating losses had increased from US $241 million in August 1999 to US $695 million in May 2001, and that the agency had not collected US $165 million in bills. The report also noted that the U.S. Environmental Protection Agency had fined PRASA a total of US $6.2 million since it had been privatized through Vivendi’s Compania de Aguas (i.e., during the period between 1995 and 2000). According to Comptroller Manuel Diaz-Saldaña, the privatization “has been a bad business deal for the people of Puerto Rico.” “We cannot keep administrating the Authority (i.e., PRASA) the way it has been done until now,” he said.98

Nairobi Water Privatization – Vivendi’s joint venture with Sereuca Space to manage the water billing and revenue system for Nairobi, Kenya, has become the subject of a major public

95 ibid
96 Russell, G., “S&WB votes to end effort to privatize”, Times-Picayune, August 19, 2004
97 Grace, S., “Singleton’s legacy may doom S&WB deal”, June 29, 2003
controversy. Peter Munaita, writing in the East African, reported in August 2000 that Sereuca Space, in a joint venture with Vivendi’s subsidiary Générale des Eaux and Israel’s Tandiran Information Systems, “will not invest a single cent in new water reservoirs or distribution systems during the ten years the contract will be in force. Instead, the company will spend an undisclosed amount on installing a new billing system at City Hall and, for that, reap 14.9 per cent of the [estimated] Ksh12.7 billion [$169 million] collected over the period”. Says Munaita, “Nairobi deputy mayor, Mr. Joe Aketch, has opposed the deal, saying it will lead to a loss of 3,500 jobs in exchange for 45 staff, four of them expatriate, who Sereuca proposes to employ”.

In response to widespread public criticism of the proposed project, Vivendi said later it would invest another $150 million in expansion, repair, and maintenance to minimize water loss. In August 2001, however, the Kenyan government announced that it was suspending the water billing project until the World Bank had completed a privatization option study. According to World Bank officials, the proposed water billing contract was too expensive and was not tendered for through commercial bidding procedures. Says World Bank officer Peter Warutere, “The study will achieve cheaper alternatives.” According to reports by Munaita, Vivendi maintains the contract’s suspension will “jeopardize prospects of Nairobi getting a reliable water service before 2008, with shortages becoming rampant in two year’s [sic] time,” because “World Bank projects take between four and seven years before implementation starts”. 99

4.2 Environment

2003: Toronto – US Filter has a contract with the City of Toronto to market and turn the city’s sewage sludge into pellets (euphemistically known as “biosolids”), including spreading it on farmland in Southern Ontario. A multi-million dollar lawsuit has been filed against US Filter after chemical-laden sludge spread on a farm caught fire and burned for five days. The couple claims that US Filter told them it was completely natural. USFilter/Veolia Water North America has denied any wrongdoing. The “natural” sludge is given “free” to farmers, who are led to believe they will save money on fertilizer.100

2003: New Orleans – US Filter, which runs two wastewater treatment plants in the city, has racked up $107,000 in fines for discharging sewage directly into the Mississippi River 64 times since 2001.101 Almost all of the discharges violated a 1998 US EPA consent decree over lake pollution. As a result of this issue and other reports of poor performance, the city’s water board withheld $2.6 million in payments in exchange for the company’s commitment to repair and maintain the two plants. US Filter claimed the move is in violation of the contract. In June 2003, the water board said that withholding the money was their only recourse to penalize the company for poor performance.102 By October 2003, the board agreed to pay the company the $2.6 million in exchange for USFilter agreeing to repair and maintain the two plants according to contract specifications.103

2002-2003: Plymouth, Massachusetts – A water treatment plant built by US Filter has not been in compliance with its permit since it began operation in early 2002. US Filter was awarded the $40 million build and operate contract for its experience in running water utilities, however, town

101 Carr, M., “USFilter, water board close to settlement”, Times-Picayune, October 14, 2003
102 Carr, Martha “S&WB, US Filter bicker over sewage; Water board cuts some payments” Times-Picayune, June 11, 2003
authorities have been unhappy with the contract since, even threatening to cancel it in May 2003.\textsuperscript{104}

The State issued a notice of non-compliance in January 2003 with 22 issues, including inaccurate and inconsistent testing, inadequate staffing, and reported rates of nitrogen and phosphorus levels two or three times higher than permitted. The state's report also noted the breaking down of pumps, which in one incident had left the plant without pumping capability for more than 16 hours. Apparently the company had been aware of the issues but had failed to report it to the City authorities, who were shocked when they were handed the state's notice. The City stands to pay heavy daily fines unless the violations are remedied. While US Filter has recently claimed they have been in compliance with the permit for four weeks, the state refuses to lift the moratorium on accepting additional sewage flow until compliance is noted for at least six months, leaving the Town unable to accommodate the rapid local development.\textsuperscript{105}

1995 – 2001: Tucuman, Argentina – In 1995, Générale des Eaux and its Argentinian subsidiary Compania de Aguas del Aconquija, signed a contract with Tucuman province to run its water and wastewater facilities. Tucuman's health authorities eventually imposed fines on the company for failing to install proper water-testing equipment, and for poor performance in running the water system. The provincial ombudsman also denied the companies the right to cut off water supplies to nonpaying customers and refused to allow rate increases. In response, Vivendi took the Government of Argentina to the International Centre for the Settlement of Investment Disputes (ISCID) – a division of the World Bank – claiming that the national government had violated a Bilateral Investment Treaty by not preventing authorities in Tucuman from taking action against the company. The court dismissed the case saying there was no evidence that “the Argentine Republic failed to respond to the situation in Tucuman and the requests of Vivendi in accordance with the obligations of the Argentine government under the BIT” (the Bilateral Investment Treaty between France and Argentina).\textsuperscript{106} This case is just one example of how wealthy multinationals have recourse through trade agreements to sue indebted nations over contract disputes. It is also alarming to note that the World Bank, the institution promoting and imposing public private partnerships, can facilitate claims from the likes of Vivendi/Veolia Environment through the ISCID.

4.3 Corruption

1994-2003: Bridgeport, Connecticut – Former Bridgeport Mayor Joseph P. Ganim was sentenced to nine years in prison for corruption on several counts, which included a relationship between his office and Professional Services Group (PSG), which was purchased by US Filter. A major part of the testimony heard was regarding two multi-million dollar sewage contracts awarded to PSG – first a five-year contract, then an extended 20-year contract – in return for $500,000 in kickbacks from the company through consulting fees and benefits.\textsuperscript{107}

1997-2003: New Orleans – Again in New Orleans, USFilter has had to deal with controversy over contracts. This time a corruption scandal involving the bribery of a former New Orleans Sewerage & Water Board member in order to rig the renewal of a contract to run the city's two wastewater treatment plants. Katherine Maraldo, the former Board member was convicted of accepting bribes during the mid-1990s from Professional Services Group (PSG) president Michael Stump. Stump, who was president of the company at the time, was buying Maraldo’s support for a five-year extension of the company’s contract to run two wastewater plants. At the

\textsuperscript{104} Race, T., “Town seeks more sewage capacity; New treatment plant now in compliance with state permits” The Patriot Ledger, June 18, 2003
\textsuperscript{105} Race, T., “Plymouth sewer operator scolded; Perturbed Selectmen assert displeasure with excuses” The Patriot Ledger (Quincy, MA), January 22, 2003
\textsuperscript{107} Mahony, E., “Jury asks to rehear testimony” The Hartford Courant, March 19, 2003
time Maraldo was the chair of the committee that oversaw the contract. Stump was convicted in June 2003. The contracts are now held by Veolia Water North America, formerly USFilter. Both Maraldo and Stump were given jail terms. At the time of the crime, PSG was a unit of Vivendi’s indirect US subsidiary, Aqua Alliance. 108

1996-2001: Houston, Texas – In May 2001, PSG, a subsidiary of Aqua Alliance, reached a plea agreement with the US Department of Justice in which Aqua Alliance pleaded guilty to a charge of bribery and was fined $3 million. The plea was in connection with allegations that members of the Houston City Council received illegal contributions from PSG consultants. 109 At that time, there was a battle over the proposed privatization of Houston’s wastewater facilities, and PSG’s lobbying team was drenching city officials with cash inducements.110

2000: Milan, Italy – The Italian newspaper La Republica revealed in early 2000 that a senior manager at Vivendi planned to bribe Milan politicians in both the majority and opposition parties on Milan city council in order to win the tender for a Lira 200 billion (~$100 million US) wastewater treatment plant. Evidence includes a floppy disk with a letter to Vivendi’s partners from Vivendi executive Alain Metz, which contained information on the deal and implicated Vivendi executive Massimo De Carolis. Maetz wrote how he has excellent contacts with the Polo delle Liberta, the right wing majority coalition (whose leader was media tycoon Silvio Berlusconi, and who is now Italy’s Prime Minister) and planned to pay Lira 4 billion (~$2 million US) in bribes to Italian politicians. As well, Maetz wrote how Coge, a company 40% owned by Berlusconi’s brother, should become a partner with Vivendi in this bid, though “as a matter of security”, his brother should sell his stake in Coge before the tender.111

1997: France – In 1997 Jean-Michel Boucheron, the former mayor of Angouleme was convicted and sentenced to two years in prison for taking bribes from companies bidding for public tenders. This included $55,000 for a fictitious job by General des Eaux in exchange for giving the Vivendi subsidiary a water distribution contract in Angouleme.112

1989-1996: France – The construction units of Bouygues, Suez and Vivendi have all been the subject of a major judicial investigation over allegations that they participated in a corrupt cartel where they shared contracts for the building of schools in Paris to the exclusion of other bidders.113

108 Carr, M., “Ex-S&WB official will go to jail”, Times-Picayune, October 1, 2003
110 Fleck, T., “Political Shark Alert! Just when you thought it was safe to go back into City Hall’s waters”, Houston Press, February 8, 2001
113 Ibid
5.1 Veolia’s major shareholders

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>Percentage of share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vivendi Universal</td>
<td>82,486,072</td>
<td>20.36%</td>
</tr>
<tr>
<td>Veolia Environment</td>
<td>9,195,942</td>
<td>2.27%</td>
</tr>
<tr>
<td>Caisse des Dépots et Consignations</td>
<td>30,086,498</td>
<td>7.43%</td>
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<tr>
<td>Groupama</td>
<td>22,808,702</td>
<td>5.63%</td>
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<tr>
<td>EDF</td>
<td>16,255,492</td>
<td>4.01%</td>
</tr>
<tr>
<td>Group Société Générale</td>
<td>15,928,146</td>
<td>3.93%</td>
</tr>
<tr>
<td>Group BNP Paribas</td>
<td>11,781,697</td>
<td>2.91%</td>
</tr>
<tr>
<td>Public and Other Investors</td>
<td>216,527,966</td>
<td>53.45%</td>
</tr>
</tbody>
</table>

[Source: Veolia Environment 2003 Annual Report]

VE’s 2003 Annual Report states that as of January 2004 approximately 27.1% of the company’s share capital was held by foreign investors and the remaining 72.9% by French investors. The company estimates that approximately 26 million of its shares, or 6.4% of its share capital, were held by investors in the United States.

Veolia Environment’s 10-largest institutional shareholders

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Share holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>JGD Management Corp</td>
<td>1,687,186</td>
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<tr>
<td>MSDW &amp; Company</td>
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<tr>
<td>Bricoleur Capital Mgmt, LLC</td>
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<tr>
<td>TCW Asset Management Company</td>
<td>122,853</td>
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<tr>
<td>AXA Financial, Inc.</td>
<td>92,925</td>
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<tr>
<td>Great-West Life Assurance Corp</td>
<td>58,660</td>
</tr>
<tr>
<td>Bankmont Financial Corp</td>
<td>58,660</td>
</tr>
<tr>
<td>Fleet Boston Corporation</td>
<td>50,000</td>
</tr>
<tr>
<td>Munder Capital Management</td>
<td>46,716</td>
</tr>
<tr>
<td>London Life Ins Co</td>
<td>36,872</td>
</tr>
</tbody>
</table>

[Source: Wall Street Journal]
Appendix 1

SUBSIDIARIES:

Vivendi Water
Generale Des Eaux - Sahide
Compagnie Des Eaux Et De L' ozone
Compagnie Des Eaux De Paris
Société Francaise De Distribution D’eau 97.97%
Compagnie Fermiere De Services Publics, 99.13%
Compagnie Mediterraneenne D’ exploitation Des Services D’eau 98.69%
Societe Des Eaux De Melun, 98.68%
Societe Des Eaux De Marseille Et Ses Filiales, 48.82%
Societe Des Eaux Du Nord, 49.54%
Societe Des Eaux De Versailles Et De Saint-Cloud, 50.00%
Sade-Compagnie Generale De Travaux D’ hydraulique, 98.57%
Omnium De Traitements Et De Valorisation Bonna Sabla, 99.63%
Sainte-Lizaigne Sa, 99.45%
Prague Water Cge Aw
Vivendi Water Uk Plc
Philadelphia Suburban Corp., 16.88%
Us Filter Corp.
Berliner Wasser Betriebe, 24.95%
Servitec Kft
Vivendi Water Ceska Republica
Oewa Wasser Und Abwasser, 94%
Dalkia, 66%
Cogestar - Saint Andre, 65.65%
Cogestar 2, 65.65%
Crystal S.A. - Saint Andre, 65.65%
Moravskoslezke Teplarny As, 49.03%
Dalkia Plc, 49.87%
Dalkia, 49.87% (Italy)
Clemessy, 65.62%
Siram, 49.87%
Compagnie Generale D’ entreprises Automobiles
Societe D’ assainissement Rationnel Et De Pompage 99.47%
Sarp - Industries, 99.78%
Onyx Environmental Group Plc
Onyx North America Corp.
Superior Services
Collex Waste Management Pty Ltd
Onyx Umweltservice Gmbh
Marius Pedersen, 65%
Cgea Connex
Parc Des Fontaines
Aktiebolaget Linjebuss
Connex Rail Ltd
F.C.C., 27.96%
Proactiva, 63.98%