The birth, growth and decline of multinational water companies

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# Private companies in historical context

Private watercompanies were created in the 19th century as industrialisation and urbanisation took off. By the early 20th century, these had been replaced almost everywhere by municipal water companies, as the private companies lacked the capacity for large-scale investment and required higher rates of return on selected market segments.

Only in France, and to a much smaller extent in Spain, did private companies of any size survive the wave of municipalisation of water systems which took place elsewhere in Europe and the USA. The survival of these companies, and the size of the market, depended crucially on negotiations with cities over the political decisions to municipalise services or not. (Juuti and Katko 2005)

The two companies which still dominate private water were both created in the 19th century. Generale des Eaux , now part of Veolia, was created in 1853 by charter of the emperor Napoleon III; Lyonnaise des Eaux, now the core of Suez Environnement, was created in 1880. In France itself, the companies not only retained their positions during the 20th century but extended them. As piped water networks were extended, especially after World War II, the companies obtained an increasing proportion of the sector through lease (“affermage”) contracts with municipalities. By the end of the 20th century, over 70% of French water services were run by private companies. (AFD 2010)[[1]](#endnote-1)

The subsequent international growth of the French companies was also assisted by the international expansion of France, and French capital, in the 19th and 20th centuries. The first international contracts were gained in the 1880s by Generale des Eaux, including four concessions in Italy-Verona, Naples, Bergamo and Venice; Porto (Portugal) and, in 1882, Constantinople (now Istanbul), which was then the capital of the Ottoman Empire.[[2]](#endnote-2) Contracts and concessions were also obtained in French colonies, with Lyonnaise des Eaux active in Algéria, Morocco, Tunisia, Madagascar, Guinéa, Congo, Central African republic, Sénégal, and Togo. Contracts in Cote d’Ivoire contributed a lot to the growth of the third, much smaller French water company, SAUR. (AFD 2010)[[3]](#endnote-3)

The French companies were also able to buy dominant positions in the residual private water sector in other countries, both extending their own business and eliminating potential competitors. The biggest of the private Spanish water companies, Aguas de Barcelona, which originated as a French venture, was by the 1950s again effectively controlled by Suez; another, Aguas de Valencia, was controlled by SAUR. Others were mostly owned by Spanish construction groups, such as FCC (which was itself controlled by Veolia for a few years in the early 2000s).

Competition has played a very minor role in these developments. The private business in this sector has been built through politically negotiated monopolies, which were then retained for decades, in some cases over a century. In France, at the end of 2008, over 95% of private contracts in the towns and cities with over 100,000 population were held by the company which was originally awarded it without competitive tendering procedures, and no non-French company has ever won a single contract.[[4]](#endnote-4)

The established oligopoly of the three French companies seeks to maintain its position. In 2002 they were the subject of a French competition commission report for colluding through joint ventures, and in 2012 they were being investigated for collusion by the European Commissions. In Spain, too, two-thirds of private contracts have never been subject to competition, and three cities – Barcelona, Valencia, Alicante − have private water operations which have run for over 100 years without any competition. The case of Barcelona is remarkable because there is in fact no legal concession contract, according to a recent court ruling. [[5]](#endnote-5)(Hall and Lobina 2012)

# Rise and fall

This pattern remained broadly unchanged for most of the 20th century, until the sudden expansion of private water companies from the late 1980s. It was also made possible by political developments, both at national and international level.

The biggest national change came in the UK in 1989, when the Thatcher government privatised water throughout England and Wales, against strong public opposition, by floating the 10 regional companies on the stock exchange. This was only possible because England and Wales, uniquely in Western Europe, had restructured their water sector 15 years earlier, so that all municipal operations had been merged into a small number of state-owned regional companies. (Hall and Lobina 2007)

This had a number of consequences. It gave almost the entire sector in a large European country to private companies, thus nearly doubling the private share of the market at a stroke. It created a new set of companies with very secure finances, which might be potential competitors to the French groups in other countries, although the UK companies were at a relative disadvantage because of their total lack of experience in negotiating with public authorities to gain new contracts. And it established water privatisation as a political possibility which could be emulated globally.

Even after this, any further growth of private companies had to take place across two dimensions. Firstly, expansion had to involve international growth into other countries, because the home markets of the private companies (France, England and Wales) were effectively saturated and already controlled by a small group of companies under conditions of secure monopoly. Secondly, because the public sector is so dominant, there were few existing pockets of private business to be acquired, so obtaining new business required reducing the role of the public sector in any given country. The companies not only had to conduct a strategy of internationalisation, but also a strategy of reducing the role of the public sector.

The political conditions for both these elements were created by the international financial institutions – themselves, ironically, public sector institutions. The World Bank, the IMF and other development banks adopted neoliberal principles that development depended on maximising the role of the private sector. Publications and conferences promoted the virtues of privatisation, especially in infrastructure sectors such as water, as a way of delivering both investment and efficiency in these sectors in developing countries. The banks and the IMFalso started including privatisation as a condition of their loans in the sector. If a country wanted such loans, it would have to privatise. The loans themselves were also vital to the companies, as they provided large amounts of investment finance at low interest rates. (Hall and Lobina 2007)

The promotional activity and the conditionalities launched a wave of water privatisations. The flagship in the south was the privatisation of water in Buenos Aires in 1992, when the Argentinian government was the ‘model pupil’ of the IMF. There was a competitive tender, but the winning consortium, Aguas Argentinas, included not only Suez but also Veolia, Aguas de Barcelona, and Anglian Water, which considerably reduced potential opposition. Other contracts in Argentina rapidly followed, along with a concession in Cartagena in Colombia, Guayaquil in Ecuador, and a few in Brazil. There was significant resistance in Brazil, however, and attempts to privatise water in Rio de Janeiro and some other cities were halted. At the end of the 1990s, Chile started privatising its water operations.

But from 2000, the bandwagon ran into major economic and political problems in the region. In Bolivia, there was a massive uprising in the city of Cochabamba, and a similar uprising later against the privatisation of water in La Paz and its neighbouring city, El Alto. In 2000, the Argentinian economy collapsed, and the companies were unable to persuade the new political leaders to continue the concessions or to compensate the companies for their losses. In Uruguay, a referendum agreed to a constitutional amendment declaring water to be a human right and making privatisation illegal. (Lobina and Hall 2007)

Similar developments took place in Asia and Africa, though more selectively. The city of Jakarta in Indonesia was divided into two contracts, one for Thames Water and one for Suez, both in partnership with companies owned by cronies of the dictator Suharto. After Suharto’s fall, the companies clung onto these contracts, which include guaranteed levels of profit. In the Philippines, Manila was also divided, this time between Suez and United Utilities.

The Asian financial crisis upset the economics of these concessions, which required major renegotiation and debt relief from the state, but the result has been profitable business. There were very few concessions elsewhere in Asia until China was identified as a major future market by both Suez and Veolia, who both established joint ventures with Chinese companies. They have obtained a few contracts, and remain optimistic, if only because even a tiny share of the market in China is still significant. (Hall and Lobina 2006)

In Africa, new contracts were added to the existing private water deals in former French colonies. Suez obtained contracts through a joint venture in South Africa, still under the apartheid regime, and later a management contract in Johannesburg. But the political opposition prevented any major inroads into the public sector, with the exception of two concessions run by Biwater. Elsewhere in sub-Saharan Africa a number of contracts were awarded, invariably with strong support from the World Bank, and without any commitment to investment, but by the mid-2000s many of these were not economically viable. In North Africa, the major expansion took place in Morocco, where the business-friendly dictatorship of King Hassan II allowed both Suez and Veolia to win major concessions. But during the Arab spring of 2011, these concessions were the focus of some angry demonstrations, followed by scathing public audit reports, which have resulted in a write-down of €59 million by Veolia. (Hall and Lobina 2006, Hall and Lobina 2012)

Significant expansion also took place in Central and Eastern Europe, where the collapse of communism opened up large new potential business in sectors that had previously been part of the state. The process started in 1992, with the concession obtained in Gdansk (Poland) by SAUR, and continued with a rapid expansion of contracts in most of the main towns and cities of the Czech Republic and Hungary by the end of the decade, together with some privatisations in Romania, Bulgaria (Sofia), and Estonia (Tallinn). The French companies dominated this process. The UK companies did participate in the Czech Republic, where the private stake in SCVK, for example, was originally bought by Hyder (the parent group of Welsh Water in the late 1990s), and Anglian Water, acquired stakes in three companies.

But even in Eastern Europe there was strong resistance. In Poland, for example, despite much publicity for the original deal in Gdansk, no other major city agreed to privatise its water. Few new contracts were won after the 1990s, and attempted privatisations in the former Soviet Union also failed to endure, as contracts were terminated in Tblisi, Georgia; Almaty, Kazakhstan; Odessa and Kirovograd, Ukraine; and Bukhara and Samarkand, Uzbekistan. By 2010 criticism of existing private water contracts was growing, and the Hungarian towns of Pecs and Kaposvar terminated contracts held by Suez in in 2009, and in 2012 the capital city of Budapest started the same process. There have also been strong pressures against the privatised contracts of United Utilities, which sold its business in Sofia to Veolia, but was unable to sell the operation in Tallinn, which has been the subject of criticism by the city council, consumers, the ombudsman and the national government. (Hall and Lobina 2007, Hall and Lobina 2012)

The attempts to expand into other west European countries had little success except in the two countries where the French multinationals were already established: Spain and Italy. In Italy, a favourable environment was provided by the 1994 Galli Law which reformed the whole water sector, and by the partial privatisation of major utilities such as Acea in Rome, in which Suez bought a significant stake. Some new concessions were also acquired, for example in Arezzo. In Spain, Veolia built a dominant shareholding in FCC, the second largest private water operator in Spain, and used it as a partner in Latin America − as Suez did with Aguas de Barcelona.

But attempts to expand in other countries within the EU proved unsuccessful, provoking considerable public and political opposition in nearly all countries. In Germany, for example, private companies were only able to win a few concessions in the former East German towns such as Rostock and Potsdam, apart from Berlin itself, where a fiscal crisis forced the partial sale of Berliner Wasser Betriebe. But the privatisation of Potsdam was terminated, and by 2011 there were strong demands for the Berlin privatisation to be undone.

Private companies have also found their existing markets being eroded by a new wave of re-municipalisations, most dramatically in France itself. This was led by the city of Paris itself, which decided to re-municipalise its water services from January 2010, after the two 25-year concessions which had been given to Suez and Veolia expired. The decision was driven both by the political view of the ruling socialist-green coalition that vital public services should be in public hands, and by an economic assessment that a publicly run service would be cheaper. This was demonstrated in the first year, when the city saved €35 million and was able to reduce water prices by 8%. Veolia managed to save its contract in the even larger Ile-de-France region around Paris, but by 2012 a further 40 French municipalities had also decided to follow the example of Paris and re-municipalise water services, including major cities such as Bordeaux and Brest.[[6]](#endnote-6)

Private companies were dealt a further blow by the Italian national referendum in 2011 which rejected proposals for liberalisation and privatisation of water services. This has also prevented the Italian government from selling water services as part of the privatisation programme required under the EU rescue deal. In other European countries subject to EU and IMF conditions, however, privatisation proposals include some public water companies, most notably in Greece, Portugal and Spain, where a new proposal to privatise the public water service of Madrid was put forward in 2011. (Hall and Lobina 2012)

The expansion of the 1990s also involved consolidation of existing pockets of privatised water. All three French companies made acquisitions in the UK, the largest being Suez’ acquisition of Northumbrian Water, one of the newly privatised regional monopolies, while both Veolia and SAUR built substantial holdings in the older and smaller water-only companies. Both the French and the British companies bought private companies in the USA, where up to 15% of the services had remained in private hands. But during the 2000s the companies began to lose contracts in the USA as well, for example in Atlanta in 2003, and by the end of the decade public opposition to privatised water was as strong in the USA as elsewhere. There were also concessions obtained in Australia, where Thames and Veolia partnered a joint venture in Adelaide, and some smaller concessions obtained by Anglian water in New Zealand.

During the 2000s, the English followed by French companies decided that most international expansion should be abandoned. They recognised the political reality that some existing contracts were being terminated anyway, and the economic reality that they were unable to deliver reliable returns. In 2003 Suez announced it would withdraw a large proportion of its contracts, and not take on any new contracts without a secure, high level of return. Veolia’s withdrawal has been more erratic, but by 2011 it announced it would leave nearly half of the 77 countries in which it was doing business.

The British companies withdrew almost completely, except for the privately owned Biwater, which continued to operate global water contracts until it sold them to Sembcorp in 2010. The private equity firms which took over many British companies were especially insistent on ending the international ventures: for example, Maquarie insisted that all of Thames Water’s overseas operations should be sold before it would complete the takeover in 2006. The same was apparent in France: when Bouygues sold SAUR to a private equity firm, it had to retain most of the overseas contracts.

Internationally, private companies have become increasingly dependent on the support and partnership of development banks as equity shareholders in their international activity. The International Finance Corporation (IFC) invested $25 million in 13.9% of the shares of Veolia AMI, the company’s subsidiary aimed at Africa, Middle East and India; Proparco, an arm of the French state’s Agence Française de Développement (AFD), invested 10 million in buying 5.6% of the shares. [[7]](#endnote-7) The IFC also invested €100 million in buying 9.5% of the shares of Veolia Voda, Veolia’s Eastern European arm, in which the EBRD has also invested €175 million.[[8]](#endnote-8) The EBRD has provided nearly €500 million in equity and loan finance for private water companies since 1991.

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

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

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

The rise and fall are dramatic in policy terms, and in terms of company balance sheets. But in historical context it represents only a small deviation from the long-term dominance of the public sector model of water supply services. At the peak of the expansion, around 2000, the proportion of the world’s largest cities with private water supply was never more than about 11%, and by 2012 it was declining to about 9%. Outside these cities, the proportions are certainly much smaller. In the 21st century, as in the 20th century, water remains a public sector service.

# The companies in 2012

## French companies: depending on the state

The final irony is the partial nationalisation of the private French companies themselves. As they weakened financially in the late 2000s, all the companies became vulnerable to takeovers, and a national strategy to protect key French companies from foreign control resulted in the French state becoming the major shareholder in all three. In April 2007 SAUR was bought by a consortium led by the French state, which still holds 38%, in order to prevent a foreign private equity takeover.[[9]](#endnote-9) In 2009 Suez was merged with the state-owned GdF, with the result that Suez Environnement, including all the water operations, is now 36% owned by GdF-Suez, which is itself 36% owned by the French state. The impact of this extends beyond France, since Aguas de Barcelona is now almost wholly owned by Suez.

The French state has also become the largest shareholder in Veolia, with 12.4% of the shares, but its energy division Dalkia is already a 50-50 venture with EdF, which is 85% state-owned. A similar attempt to merge its transport division into a 50-50 venture with a state-owned company failed, and the French state is now effectively taking responsibility for the loss-making transport operations. Faced with declining returns and large debts, and exacerbated by the recession, Veolia wrote off over €800 million in 2011, and set itself targets of closing operations in nearly half of the 77 countries in which it operates and selling €5 billion worth of assets. (Hall and Lobina 2012, Veolia 2012, Suez 2012)

## English companies taken over

The withdrawal of English companies from international activity was almost completed in 2010, when Biwater and United Utilities sold their international operations – with the exception of United Utilities, which was unable to sell its shares in Tallinn. These companies have not only withdrawn from international activity, but have themselves become the subject of takeovers. Of the 10 large water and sewerage companies, four – Anglian, Southern, Thames and Yorkshire − are already owned by private equity or financial groups. Three large companies are still part of groups quoted on the London stock exchange – Severn Trent, South West, and United Utilities. Two of the 10 large water and sewerage companies are owned by Asian multinationals − Wessex by the Malaysian company YTL, and Northumbrian was bought in 2011 by the Hong Kong group Cheung Kong Infrastructure. The remaining one, Welsh Water, is owned by a not-for-profit private company (Glas Cymru). Of the smaller water-only companies, only one is still listed on the stock exchange, Dee Valley, and it is 35% owned by insurance company Axa. Most of the others are owned by various private equity funds, and the French groups are finally selling their holdings in these companies: Suez has sold 70% of Bristol Water to a Canadian infrastructure company, and Veolia is expected to sell its subsidiaries to a group of private equity and financial investors in 2012. The remaining company, Bournemouth, is owned by the Singapore group Sembcorp as a result of its takeover of Biwater. (Hall and Lobina 2012)

1. England and Wales: Water Company ownership, April 2012

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Company** | **Owner** | **Country** | **Type of owner** | **Comments** |
| **Anglian Water** | Osprey/AWG | UK | PE | Consortium of 3 PE funds, inc. 3i |
| **Northumbrian Water** | Cheung Kong Infr. | UK | M | via UK Water |
| **Severn Trent Water** | Severn Trent | UK | SEC |  |
| **Southern Water** | Greensands | UK | PE | Consortium: IIF 28%, Challenger 23%, UBS 16% |
| **South West Water** | Pennon Group | UK | SEC |  |
| **Thames Water** | Macquarie | Australia | PE | Also China investment Corp CIC 8.7%, Abu Dhabi Investment Corp 9.9% |
| **United Utilities Water** | United Utilities | UK | SEC |  |
| **Welsh Water** | GlasCymru | UK | NPC | Not for profit private company |
| **Wessex Water** | YTL | Malaysia | M | Malaysian power company |
| **Yorkshire Water** | Saltaire Water | UK | PE | PE consortium: Citi, GIC, Infracapital |
|  |  |  |  |  |
| **Bournemouth and West Hampshire Water** | Sembcorp | Singapore | M | Singapore based company <http://www.sembcorp.com/> |
| **Bristol Water** | Capstone (70%), Agbar/Suez (30%) | Canada, ES/FR | PE,M | Listed infrastructure fund, spun off by Maquarie |
| **Cambridge Water** | Alinda | USA | PE | Alinda Capital partners, a US PE firm |
| **Cholderton Water** | Cholderton Estate | UK | P | Private family owned |
| **Dee Valley** | - | UK | SEC | 35% of shares owned by Axa SA. |
| **Folkestone and Dover** | Veolia | FR | M |  |
| **Portsmouth Water** | South Downs Capital | UK | PE | 15% owned by directors, 36% owned by SMIF/Land Securities |
| **South East Water** | UTA and HDF | Australia | PE | Utilities Trust of Australia, Hastings Diversified Utilities Fund |
| **South Staffordshire Water** | Alinda | USA | PE | Alinda Capital partners, a US PE firm |
| **Sutton & East Surrey Water** | Aqueduct Capital | DE | PE | Canadian funds CDPQ 25%, AIM 17.5%, PSP 22%; plus Aqueduct Capital 25%, GBP 10% |
| **Tendring Hundred** | Veolia | FR | M |  |
| **Three Valleys** | Veolia | FR | M |  |

## Other companies

There were attempts by other companies, particularly energy companies, to enter the sector in the 1990s, but they failed. The US-based energy company Enron attempted to break into the market by acquiring the UK company Wessex Water and then forming an international company, Azurix. This proved a failure, with Enron deciding to break up Azurix and sell its assets even before Enron's accounting brought about its own collapse. One of the main reasons for Azurix' failure was the poor results obtained when bidding against Veolia and Suez: Azurix at one stage announced that it would only focus on smaller projects which would not appeal to the French groups. Despite frequent publicity, US companies such as CH2M Hill never expanded internationally into the water supply business, as opposed to engineering and consultancy. (Hall and Lobina 2007)

German energy conglomerate RWE also expanded into the water sector in the late 1990s, both in Germany and beyond. Rather than competing directly, it established a number of joint ventures with Suez and Veolia, including the acquisition of a 49.9% stake in Berlin's water company Berliner Wasser Betriebe jointly with Veolia; an indirect participation in Budapest Municipal Sewerage Company FCSM through Berliner Wasser Betriebe, with Veolia as the other partner; and the acquisition of a 25% stake in Budapest Waterworks Rt jointly with Suez-Lyonnaise des Eaux. In 2000 it bought the UK company, Thames Water, which had already acquired a significant share of the world water market, but in 2006 RWE sold Thames to a private equity company, having failed to establish a profitable international presence outside the UK.

The other major German energy group, EON, bought the German water company Gelsenwasser and made some efforts to expand, mainly in central and eastern Europe and the Mediterranean, but later sold it to German municipalities: it still holds a few contracts in Hungary and Poland. An Austrian energy utility, Energie AG, similarly acquired a few contracts in other Central European countries.

The World Bank and the OECD have argued that there is a ‘new breed’ of water companies, including multinationals, based in southern countries. A PPIAF paper claimed that “It would be hard to overestimate the importance of this new trend”, but their list of such companies is unconvincing. It includes a number of companies which no longer own or operate the water services listed, one 100% public sector company, some historical oddities, and companies owned by private equity firms based in tax havens. (Marin 2009)

It includes two of the groups which have bought water companies in the UK, YTL and Cheung Kong, but these groups so far have no other interests in the water sector, and the UK investments may more accurately be interpreted as safe ‘trophy’ investments. In Chile, the PPIAF lists three different local companies as holding a total of 6 water concessions, but two of them have sold their holdings to northern private equity funds. The other Chilean interest on the PPIAF list is the Essan concession, in Antofagasta, in the northern mining area of Chile, which is actually held by Antofagasta plc, one of the oldest companies listed on the London stock exchange. This company originated as a 19th century British railway venture in Chile and Bolivia, and is now overwhelmingly a copper mining group, for whom the water concession in Antofagasta represents only 2.5% of their total sales.[[10]](#endnote-10)

The list also includes the Malaysian company PuncakNiaga, with contracts in Kuala Lumpur and Selangor state, which are being renationalised in the Malaysian review of the sector, and a Malaysian engineering company, Salcon, the great majority of whose activity is in traditional engineering work, with just one contract in China. Another company on the PPIAF list, Tata, is the second largest private corporation in India and one of the largest multinationals in the world, which covers many sectors including steel, engineering, IT , energy, and services – but water is not mentioned by the group even as one element of its services activities. Tata operates water supply services in only one place, Jamshedpur, which is a company town, effectively owned by Tata since 1907,[[11]](#endnote-11) including the water and electricity company, JUSCO. The new owners of the Jakarta and Manila water companies, also cited by PPIAF, include a subsidiary of Jardine Matheson, the British 19th century multinational at the centre of the opium trade, and an investment fund set up in Singapore by two companies of obscure parentage from another tax haven, the British Virgin Isles, a joint venture partly owned by another fund based in the tax haven of Bermuda.[[12]](#endnote-12)[[13]](#endnote-13)

Manila Water, most heavily promoted as a southern company, includes as shareholders UK and Japanese multinationals and the World Bank itself, through the IFC − the main driver of the original privatisations in 1998. [[14]](#endnote-14) The company has a declared policy of expanding internationally, but by 2012 its only significant overseas operation was a half share in a water treatment plant concession in Vietnam, formerly operated by Suez.[[15]](#endnote-15) The only significant water company in Latin America, an Argentinian firm called Latinaguas, shows the limitations of local companies: it has been warned, criticised and or fined for underinvestment or poor customer service in 2 of its 3 concessions, and supported by public subsidies in the third; and it has expanded internationally only in a joint venture in a small town in Peru. (Marin 2009, Hall and Lobina 2009)

Of the above, the only southern company which can be meaningfully described as a water multinational is the Singaporean firm Sembcorp, which purchased all of Biwater’s activities. As a result, it has become the owner of Biwater’s former subsidiaries in a number of countries, including the UK, Chile, China, Indonesia, Panama, Philippines and South Africa.

# The future of international water companies

Since the 19th century, the size and extent of the market for private operators has been determined by political decisions on public ownership and privatisation, and by the institutions driving first the empire, and later globalisation. The future prospects for this business will also depend on whether political developments locally and internationally will again move in favour of the private companies.

This seems unlikely in the near future. The 2000s saw a painful demonstration that privatised water supply is a political minefield and not as reliable a source of returns as had been expected. There is much evidence that the political resistance to privatisation is as strong as ever – for example the Italian 2011 referendum, and the continued campaigns in countries as diverse as Indonesia, Morocco and Peru. The international institutions, led by the IFC, still continue to promote water privatisation, but even those countries subject to IMF conditions, such as Greece and Portugal, may find it politically hard to privatise water operations. The international institutions themselves are also becoming less influential over development in southern countries, as China becomes more influential.

This is an unfavourable business climate for the entrance of new companies or the return of old ones. The enthusiasm of the IFIs for further privatisations is much greater than that of the companies. The English water companies have almost completely disappeared from the international scene, and it is hard to see any commercial reason for their private equity owners to re-launch them on such risky exercises. There is no capacity for serious expansion by companies such as Manila Water, even if its owners thought expansion was a risk worth taking. The decline may continue further. The Spanish multinational FCC could abandon its international presence without serious loss, in which water is a small part compared with the core construction business. Even SAUR, the third and smallest of the French groups, is now part of a larger environmental services group, which could shed the remaining international water business without a great impact.

This leaves Suez and Veolia. The two companies are as dominant as they were within the private share of the market, but, compared with 1990, their home market has been eroded by re-municipalisations and is now smaller than it was. The private share of the world market has grown, but there are few new reliably profitable contracts outside the UK and Chile. Suez has shrunk its activity to France, Spain, the USA and a few residual contracts elsewhere, but has abandoned serious attempts to gain new water supply contracts, apart from routine expressions of hope for business in China. Veolia has been less ruthless, and even in 2011 acquired a new water supply contract in Nagpur, India, but is under shareholder pressure to shrink its operations to the same scale as Suez. Both have instead refocused on engineering work, such as water and wastewater treatment plants and desalination plants, water and sanitation services for industrial companies, and consultancy contracts. Like the companies’ other main business, waste management, these are areas of reliably growing demand. It remains to be seen if private treatment plants will become as politically contentious as water supply privatisations, and if the economics of 25-year BOT contracts are more robust than those of 25-year concessions (Hall and Lobina 2012, Suez 2012, Veolia 2012)

Both companies have little choice but to continue with their existing public water supply business, especially in France: the new role of the French government as owner means that both companies have to protect this dwindling domestic business from foreign ownership. Further re-municipalisation may thus become the most acceptable way for the companies to gradually divest their low-margin water business, as already has happened with energy companies in Germany.

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