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Veolia and Suez: the new face of the private water giants

Private monopolies versus public services

In early 2022, Veolia completed the acquisition (hostile takeover) of large parts of the business and contracts of its main competitor, Suez. The two French giants have dominated the global private water and waste management market, far ahead of all their other competitors, for years. They have been trying to expand the privatisation of these utilities internationally since the 1980s, often with the support of the French government and international financial institutions. They have succeeded in extending their reach, but they have also failed in many ways thanks to the vigilance of trade unions and civil society. In many countries, and particularly in their historical stronghold of France (Paris, Nice, Lyon, Grenoble...), a wave of water deprivatisation and remunicipalisation began to take place, which pushed them to change their strategy, particularly by insisting more on their technological solutions.

The takeover of Suez by Veolia can be read as a response to these difficulties and a reflection of these strategic changes:

- Veolia buys part of Suez's contracts and activities to strengthen its own position vis-à-vis the competition and vis-à-vis public authorities that are privatising or considering privatising their water or waste management.
- Veolia acquires a de facto monopoly on certain technologies (e.g., wastewater treatment) and markets, which the group believes will become increasingly crucial in the context of the climate crisis and the scarcity of resources.
- Veolia is repositioning itself as a provider of "climate solutions" (technologies, services, use of data), and not just as a private manager of public services. This should enable it to capture part of the climate financing from governments and international financial institutions.

The takeover of Suez by Veolia is also an illustration of "crony capitalism" at the highest level of the French state. Even though they are private companies, the deal was supported by the French president Emmanuel Macron and his entourage, by part of the French government, and was only possible thanks to the financial support of the Caisse des dépôts et consignations, a public financial institution. Instead of being concerned with defending and developing public services, French political leaders have been mainly concerned with favouring the development of private 'champions', in a context of widespread conflicts of interest.

Who will control what?

After acquiring Suez in its entirety, Veolia chose to keep parts of it and sell the rest to a consortium of financial institutions including Meridiam, Global Infrastructure Partners and the Caisse des dépôts et consignations. The purpose of this resale was to prevent the operation from being prohibited by the competition authorities. Veolia therefore built its own pseudo-competitor from scratch and brought in financiers with no real experience in the water and waste sector to take control.

The activities transferred from Suez to Veolia will therefore be mainly :

- Water and wastewater activities in North America (including United Water and WTS, formerly GE Water)
- The Agbar group, i.e., essentially the water and wastewater activities in Spain and Latin America
- Waste activities in Australia, the UK and China, as well as the Suez plastic recycling plant in Thailand

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The activities retained in the "new Suez" will be mainly

- Water and waste activities in France
- Water contracts in Europe, Africa, Asia and Oceania (Senegal, Morocco, Italy, Czech Republic, Poland, Central Asia, India, Bangladesh, Sri Lanka, China, Australia and New Zealand)
- SES activities (smart & environmental solutions) activities dedicated to smart cities

According to official estimates, after the merger and the creation of the "new Suez", Veolia's workforce should increase from about 180,000 to about 230,000 employees (+28%), and its annual turnover from 26 to 37 billion euros (+42%). The turnover of the new Suez would fall from €17.2 billion to €7 billion (-59%) and its workforce from 88,800 to 40,000 (-55%). Promises were made by both sides to preserve jobs over 4-5 years, but mainly for employees in France, and these promises are not binding.

Consequences and risks for Africa

Africa remains a minority in the activities of Veolia, which has lost historical contracts in many African countries (as recently in Gabon). Veolia remains only present in private water management in Morocco (Tangier-Tetouan and Rabat-Salé) and Niger, as well as in projects more focused on treatment technologies in Namibia and South Africa. The acquisition of part of Suez's activities will enable it to set out again to conquer the continent, probably relying mainly on technological arguments.

For the "new Suez", Africa is central. It represents half of its international activities, with important contracts in Morocco (Casablanca), in Senegal and a very large number of projects for the construction of treatment or water purification plants on the continent, mostly financed by development aid (as recently in Uganda). A few years ago, Suez tried to obtain the water management market in Kenya.

It should be recalled here that the main player in the new Suez is the Meridiam fund, founded and run by a former Caisse des Dépôts executive. Meridiam specialises in infrastructure and public-private partnerships, both in Europe and in Africa. For its activities in Africa, Meridiam generally acts with the support of public financial institutions such as the European Investment Bank. The takeover of Suez is a major first for Meridiam, which does not generally act as a manager, but simply as a financier, generally with a very small stake.

Overall, it can be estimated that there could be a kind of specialisation between the two new water giants:

- For the "new Suez", the capture of markets and contracts linked to development aid and supported by international financial institutions.
- For the "new Veolia", technological projects for large cities or states, or for industrial companies (mining, oil, etc.).

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