European waste management: background to a discussion on EWCs

A PSIRU report for EPSU

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The PSIRU was set up in 1998 to carry out empirical research into privatisation, public services, and globalisation. It is part of the School of Computing and Mathematics in the University of Greenwich, London and has an outstation at Cardiff University's School of Social Sciences. PSIRU's research is centred around the maintenance of an extensive and regularly updated database of information on the economic, political, financial, social and technical experience with privatisation and restructuring of public services worldwide.

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1. Introduction

The European waste management industry has been subject to spectacular and rapid change over the last decade and this process continues.

There are three elements to the current period of change:

- Improved environmental standards driven by EU legislation
- Privatisation (in its various forms) of both collection and disposal of municipal waste services
- Enlargement of the EU and the development of the waste market in central and eastern Europe as accession countries attempt to meet EU entry requirements. This has attracted the entry of waste multinationals into central and eastern Europe.

Change in the waste management sector has been driven by European environmental legislation (see below). However, in tandem with environmental legislation, there has also been a concerted effort by some governments to restructure waste management - particularly the municipal waste management sector - to open it up to the private sector.

Waste quantities continue to increase, with two thirds of the total municipal waste generated in Europe still landfilled, and waste recycling rates show only a limited increase during the past years[1]. The pressures on the industry are likely to increase in the next few years as the full impact of the various EU directives is felt at member state level.

The expansion of the market has continued with the changes to market economies in the accession countries and their attempts to meet the environmental requirements of EU entry.

The effect of transition in accession countries was well described by Speck and Markovic: 'The Czech Republic, like other CEECs [central and eastern European countries], has faced a substantial increase in waste production during its transition to a market economy. In the context of a previously modest lifestyle and the use of traditionally recycled materials, waste problems are basically a new phenomenon resulting from the open market, the demands of trade organisations and the import of a consumer lifestyle from Western Europe.'[2]

A more stringent regulatory regime leading to accession has boosted demand for environmental services. Combined with increased privatisation of previously publicly provided services, this has increased the size of the waste market.

For a variety of reasons some of the largest European waste companies have experienced financial problems over the last year.

Companies are increasingly attempting to offer customers (both municipal and industrial/commercial) an integrated waste management service.

This has had the effect of prolonging the period of consolidation and concentration.

2. Overview of the sector

2.1 European legislation

In response to concerns about actual and potential environmental damage and partly as a reaction to the growth in influence of 'green' politics, the European Union has implemented a series of directives relating to waste management. These have been the 'drivers of change' in the industry over the last decade. Edie reported that 2002 'saw waste industry sales booming from EU waste directives, with composting, recycling and biological treatment services doing particularly well'[3] As the range of areas covered by regulation has expanded and standards have been forced up, the market has grown.

The most important directives are as follows:

- Waste Management Framework Directive (75/442/EEC)
- Incineration Directives 89/369/EEC and 89/429/EEC on the prevention and reduction of air pollution from MSW incineration plants.
- Directive on the incineration of waste (2000/76/EC)
- Directive on the Landfill of Waste (99/31/EC)
- Hazardous Waste Directive (91/689/EEC)
- Hazardous Waste Incineration Directive (94/67/EEC)
- Integrated Pollution Prevention and Control (IPPC) Directive (96/61/EC)
- Directive on Air pollution from industrial plants (84/360/EEC)
- Air Quality Framework Directive (96/62/EC)
- Draft Water Framework Directive (COM(97)49-final)
- Environmental Impact Assessment Directive (85/337/EEC)
- Directive on Access to Environmental Information (90/313/EEC)
- Directive on Packaging and Packaging Waste (94/62/EC)

2.2 Employment in waste management

Waste management is a labour intensive industry. Or to be more accurate, waste collection is labour intensive. Waste disposal, by contrast, tends to be a more capital intensive industry, with relatively low numbers of workers employed in landfill operations or incinerator plants.

Around 65% of the environmental jobs (see table below for categories covered) in the EU were in the waste management sector. This reflects the labour requirements of waste collection and transport, as well as the relatively low wage rates[4].

♦ **Total employment in the pollution management eco-industries, EU 1999**

	Direct Employment					
	Operating Related	%	Investment Related	%	Total Direct (Jobs)	%
Air Pollution Control	30,300	3	80,700	21	111,000	8
Waste Water Treatment	209,100	20	218,500	56	427,500	29
Solid Waste Management	696,300	65	64,000	16	760,300	52
Remediation & Clean Up	15,100	1	8,000	2	23,100	2
Noise & Vibration	21,800	2	7,000	2	28,800	2
R&D	25,900	2	2,400	1	28,200	2
Environmental Administration*	66,500	6	9,100	2	75,600	5
Total (Jobs) (%)	**1,064,900 73**	**100**	**389,600 27**	**100**	**1,454,500**	**100**

Note: Totals may not sum due to rounding. This analysis does not take account of German monitoring & analysis expenditure. (*) Environmental administration includes both public and private sector employment

Source: Ecotec

2.3 Retreat of the US multinationals

The two largest waste companies in the world remain Waste Management Inc (WMI) and Allied Waste. They formerly had a genuine global dominance of the industry. However, they no longer have a presence outside North America and their claim to be world leaders rests on the size of their share of the North American market only. Their retreat has been dramatic.

By the end of 2000, WMI had completely withdrawn from Europe, and almost completely retreated worldwide to its North American base (see Annex 1 and 2). It used to have operations in most major European countries but it sold all of its European subsidiaries to its former rivals, and rapidly withdrew from everywhere else as well.

This follows the equally dramatic withdrawal of Allied Waste/BFI from the rest of the world to North America. BFI had been world and North American Number 2. It was taken over by Allied Waste in 1999. The new merged company continued the divestment programme begun by BFI before the merger. BFI sold most of its non-North American operations to Sita in 1998. Part of the deal was that BFI acquired a 20% holding in Sita. Following the 1999 merger with BFI, Allied Waste sold its Sita holding to Suez Lyonnaise (Sita's parent).

Both the big US companies were taken over by smaller US companies. BFI by Allied Waste and WMI by USA Waste Services (although the new merged company retained the name WMI in this case). Both were taken over by rivals for similar reasons. These included problems with the US competition authorities, a view that the companies were too stretched, had built up too much debt and, in WMI's case, was facing shareholder lawsuits as well.

They are now beginning to be placed under pressure in their home market, for example by the 1999 purchase of Superior by Vivendi Environnement (Superior was No 4 in the US).

Some idea of the size of the North American market and the position of the largest companies can be seen from the table below illustrating the latest figures for sales among the major companies.

- **Sales of US waste companies**

Company	Sales*
Waste Management Inc	11,142
Allied Waste	5,517
Republic	2,365
Onyx US	1434

Figures are for 2002 except for Onyx which are for year ending 31 December 2001
* in $m except for Onyx which is in €m
Source: PSIRU database

2.4 Consolidation and concentration

At the 2001 conference of the UK Chartered Institution of Wastes Management, Dr Cathy O'Brien the new president noted that 'the speed of change within the waste management world has been faster in the last 10 years than the previous 90 and the rate of change at the moment seems exponential'[5].

This change has seen a process of consolidation or shakeout in the waste market and a trend towards concentration across Europe. The process of 'market maturation' has often been helped along by pro-privatisation policies from the governments of member states...

Thus different forms of privatisation contributed to, and ran in tandem with, a process of rationalisation and concentration in the European waste management industry.

According to the Suez Annual Report 2001, "the waste management market has significant growth potential, particularly in Europe where consolidation is much less advanced than in the U.S. market. In the U.S., the market share of the three largest players exceeded 60% in 2000 while for the same period in Europe this figure was estimated at 30%. Moreover, Europe is developing its own environmental model, distinguishing itself from the American model. It is becoming increasingly civic-minded (raising recycling targets, increasing pressure on landfill operations), which suggests opportunity for sustained organic growth."

The company also pointed to "the opportunities created by increased recourse to private partners by municipalities" and the demand from industrial customers for global solutions to their waste management problems."[6]

That these developments identified by Suez are continuing, can be seen by the fact that two of the second tier UK waste companies (WRG and Hales) are up for sale and their purchase is likely to signal a further consolidation by multinationals. Spanish waste company Cespa (jointly owned by Sita and Agbar) is also up for sale. The purchase by RWE Umwelt of Trienekens and Rethmann's acquisition of Lobbe's Polish operations illustrate the same point.

3. Waste companies likely to be covered by the EWC directive

There are a number of waste companies that are either potentially or definitely covered by the EWC directive. Some are waste divisions of larger companies such as in the case of Onyx and its parent Vivendi Environnement. Sometimes it is the parent company that has established the EWC.

There are some interesting cases of publicly owned companies (based in Germany, Belgium and the Netherlands) that have acquired operations abroad and are now covered by the directive.

Finally there are a number of waste companies that only operate in one country but which are subsidiaries of larger groups and fall within the embrace of the directive via their parent.

3.1 Waste companies active in Europe

Company	Global Turnover *	Address	Parent	EU, EEA and accession countries in which company is active
Onyx	€6139m **	169, av. Georges Clémenceau, NANTERRE cedex – France PO: 92 735 01 46 69 30 00 01 46 69 30 01 http://www.onyx-environnement.com/	Vivendi Environnement	Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK.
Sita	€5700m	132, rue des 3 Fontanot 92 000 NANTERRE FRANCE +33.1.42.91.63.63 +33.1.42.91.68.68 dirdrh@sitagroup.com www.sitagroup.com	Suez	Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Romania, Spain, Sweden, Switzerland, UK
RWE Umwelt	€2179m	Greefsallee 1-5 , 41747 Viersen Germany +49 (0)2162/3 76-0 +49 (0)2162/1 54 67 info@rweumwelt.com http://www.rweumwelt.com	RWE	Austria, Belgium, Czech Republic, Germany, Greece, Hungary, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain, Switzerland, UK
FCC	€2003.5m (environment)	Fomento de Construcciones y Contratas Balmes 36 08007 Barcelona SPAIN +34-93-496-49-00 +34-93-487-88-92 www.fcc.es	Part owned by Vivendi Environnement	France, Portugal, Spain, UK
Cleanaway	€1444m (£984m)	Cleanaway (worldwide) 5th Floor	Brambles (Australia)	Estonia, Germany, Switzerland, UK

Company	Global Turnover *	Address	Parent	EU, EEA and accession countries in which company is active
		Bellerive House 2 Muirfield Crescent London E14 9SZ UK 44 207 512 4301 44 207 512 4022 http://www.cleanaway.com		
Biffa	€726m (£494.8m)	Biffa Waste Services Ltd Coronation Road Cressex High Wycombe HP12 3TZ UK (+44 1494) 521221 http://www.biffa.co.uk/	Severn Trent	Belgium, UK
Rethmann	€698m	Rethmann Entsorgungs AG & Co Brunnenstrasse 138 D-44536 Lünen Germany +49(0)2306/106-0 +49(0)2306/106-100 info@rethmann.de http://www.rethmann.de/		Austria, Belgium, Czech Republic, France, Germany, Hungary, Netherlands, Poland, Slovakia, Switzerland, Turkey, UK.
Alba	€653m	Alba AG & Co. KG Franz-Josef-Schweizer-Platz 1 16727 Velten bei Berlin Germany 030 351 82 326 030 351 82 497 AlbaAG@alba-online.de http://www.alba-online.de/		Bosnia, Germany, Poland
Cespa	€513.9	Compania Espanola de Servicios Publicos Auxiliares, S.A. Gran Via de les Corts Catalanes 657 entresuelo 08010 Barcelona Spain 00 34 93 247 91 06 00 34 93 265 75 47	Sita (50%), Agbar (50%)	Portugal, Spain

Company	Global Turnover *	Address	Parent	EU, EEA and accession countries in which company is active
		cespagr@cespa.es http://www.cespa.es		
Van Gansewinkel	€457m	Van Gansewinkel Groep BV Cranendonck 4, 6027 RK Soerendonk Postbus 2662, 6026 ZH Maarheeze Netherlands +31 (0)495 596979 +31 (0)495 592250 Info@vangansewinkel.com http://www.vangansewinkel.com/	45% owned by Essent	Belgium, Czech Republic, France, Poland, Portugal
CNIM	€440m	Constructions Industrielles de la Mediterrannee 35, rue de Bassano 75008 Paris France (+33) 1 44 31 11 00 (+33) 1 44 31 11 30 info@cnim.com http://www.cnim.com		Czech Republic, France, Italy, UK
Altvater	€440m	Altvater Service Bünder Straße 32051 Herford Germany +49(0) 5221 598 537 +49(0) 5221 598 97 53 http://www.altvater-umweltservice.de	Sulo	Czech Republic, Germany, Poland, Ukraine
Befesa	€403m	Befesa Medio Ambiente Fortuny, 18 28010 – Madrid 91.308.40.44 91.310.50.39 befesa@befesa.es http://www.befesa.es/	Abengoa	Portugal, Russia, Spain, UK, Ukraine
Nehlsen AG	€283m	Furtstraße 14 – 16 28759 Bremen-Grohn		Germany, Bulgaria, Czech Republic, Latvia and Poland

Company	Global Turnover *	Address	Parent	EU, EEA and accession countries in which company is active
		Postfach 75 07 52 28727 Bremen Germany 0421 / 62 66-0 0421 / 62 66 140/141 info.nehlsen-ag@nehlsen.com http://www.nehlsen.de/		
Ragn-sells	2,8 billion Swedish kronor (approx €280m)	Ragn-Sells AB Box 952, Vaderholmen, 19129 Sollentuna, Stockholms Kommun Sweden +46-8-625 47 00 +46-8-612 65 92 info@ragnsells.se http://www.ragnsells.se/		Denmark, Estonia, Norway, Poland, Sweden
Lassila & Tikanoja	€267.2m	Lassila & Tikanoja P.O. BOX 26 FIN-00101 Helsinki FINLAND + 358 10 636 115 +358 10 636 2899 info@lassila-tikanoja.fi http://www.lassila-tikanoja.com/		Estonia, Finland, Russia
Shanks	€166m (£113m)	Shanks Group Plc Astor House, Station Road, Bourne End, BUCKINGHAMSHIRE. SL8 5YP UK 01628 524523 01628 524114 info@shanks.co.uk www.shanks.co.uk		Belgium, Netherlands, UK
Tönsmeier	€140m	An der Pforte 2 D-32457 Porta Westfalica Germany 0571 / 9744-01 0571 / 9744-106 info@toensmeier.de		Germany, Austria, France, Lithuania and Poland

Company	Global Turnover *	Address	Parent	EU, EEA and accession countries in which company is active
		http://www.toensmeier.de		
Saubermacher	€87m	Liebenauer Hauptstrasse 2-6 A-8041 Graz Austria +43 316 26 18 74 +43 316 26 34 53 office@saubermacher.com http://www.saubermacher.at/		Albania, Austria, Croatia, Czech Republic, Greece, Hungary, Slovenia
Becker	n/k	Jakob Becker GmbH & Co KG An der Heide 10, 67678 Mehlingen Germany +49 6303 6015 +49 6303 5666 info@jakob-becker.de http://www.jakob-becker.de/		Austria, Croatia, Czech Republic, Germany, Hungary, Poland, Romania
Urbaser	n/k	Urbaser SA Avda. de Tenerife, 4-6 San Sebastian de los Reyes Madrid Spain	Dragados	France, Portugal, Spain, UK
Groupe Nicollin	n/k	37 rue Carnot 69192 SAINT FONS France 04-72-89-05-60 04-78-70-49-59 http://www.groupenicollin.com/		Belgium, France, Portugal
Lobbe	n/k	Lobbe Holding GmbH & Co Bernhard-Hülsmann-Weg 2 D-58644 Iserlohn Germany + 49 / 23 71 / 8 88-0 + 49 / 23 71 / 8 88-108 info@lobbe-holding.de		Austria, Belgium, Germany, Greece, Poland, Portugal, Slovakia, Spain, Switzerland

Company	Global Turnover *	Address	Parent	EU, EEA and accession countries in which company is active
		http://www.lobbe.de/		
Rumpold	n/k	Rumpold AG 8793 Trofaiach Roseggergasse 4 03847/2332-0 03847/2332-149 info@rumpold.at http://www.rumpold.at/		Austria, Czech Republic, Croatia, Slovenia, Hungary.

* latest available figures
** excluding FCC
Source: PSIRU database

3.2 Publicly owned multinationals

Company	Global Turnover	Address	Owner	EU, EEA and accession countries in which company is active
AGR	€327.6m	AGR Unternehmensgruppe Gildehofstraße 1 45127 Essen Germany (++49) 201 - 2429 – 203 (++49) 201 - 2429 – 103 h.strusi@agr.de http://www.agr.de/	AGR has one shareholder - KVR (the Ruhr municipalities association).	Finland, Germany, Poland, UK
ASA	€126m	A.S.A. Abfall Service AG Hans-Hruschka-Gasse 9 A-2325 Himberg Austria	State owned EDF of France has 100% ownership	Austria, Bosnia, Croatia, Czech Republic, Hungary, Poland, Slovakia
AVR	€486m	Holding AVR-Bedrijven Boompjes 40 3011 XB Rotterdam P.O. Box 1025 Netherlands +31 (0)10 - 400 73 33 +31 (0)10 - 400 73 38 info@avr.nl http://www.avr.nl/	The company's entire share capital is owned by the Rotterdam municipality.	Belgium, Ireland, Netherlands
Essent	€419m	Essent Holding	A publicly	Germany and the

Company	Global Turnover	Address	Owner	EU, EEA and accession countries in which company is active
	(environment) €6644m (total)	Utrechtseweg 310 Gebouw B01 6812 AR Arnhem Netherlands	owned company with its shares owned 74% by provinces and 26% municipalities.	Netherlands. Also Belgium, Czech Republic, France, Poland, Portugal via its holding in Van Gansewinkel
Indaver	€166.4m	Indaver nv Dijle 17a 2800 Mechelen Belgium info@indaver.be www.indaver.be	54.2% owned by Flemish municipality company	Belgium, Czech Republic, Ireland, Italy, Lithuania, Netherlands, Poland, Portugal, Slovenia, Switzerland

Source: PSIRU database

3.3 Waste companies active in only one country but whose parent has operations in more than one relevant country

Company	Turnover	Address	Parent
Aimeri (Italy)	n/k	n/k	Camuzzi
Coved	€205m	Coved 6 rue Hélène Boucher 78280 Guyancourt France 01 30 60 14 00 01 30 60 14 19	Saur
Hales	n/k	Hales Waste Control Ltd Delamare Road, Cheshunt Waltham Cross, Herts UK EN8 9SJ 01992 781178 01992 640212 SalesDepartment@rmc-hales.co.uk http://www.haleswastecontrol.co.uk/	RMC

Source: PSIRU database

3.4 Waste Companies: Employees

Waste Company	Number of employees			
	Total	Home Country	Other EU/EEA/accession	Other countries
Onyx	70,795	29,903 (France)	16,478	24,414
Sita	70,000	13,200 (France)	30,800	26,000
FCC	54,881 (not all waste management)			
Urbaser	24,000			
RWE Umwelt	14,406	13,090 (Germany)	1,316	
Cespa	13,000			
Cleanaway	14,700	8,000 (UK)	4,700	2,000 (Australia)
Rethmann	7,677	5,943 (Germany)	1,734	
Nehlsen	6,000			
Altvater	5,800	4,500 (Germany)		300
Alba	5,228			
Lassila & Tikanoja	4,848			
Shanks	4,610	1,963 (UK)	2,631	
Biffa	4,005			
Van Gansewinkel	3,500			
Groupe Nicollin	3,000			
AGR	2,771		200	
Lobbe	2,500			
CNIM	2,457			
AVR	2,253			
Tönsmeier	2,000			
Ragn-sells	1,900	1,000	900	
Becker	1,800			
ASA	1,722	454 (Austria)	1,268	
Befesa	1,560			
Saubermacher	1,100			
Essent	812 (environment) 12,245 (total)			
Indaver	746			
Rumpold	n/k			

Source: PSIRU database

4. Recent developments

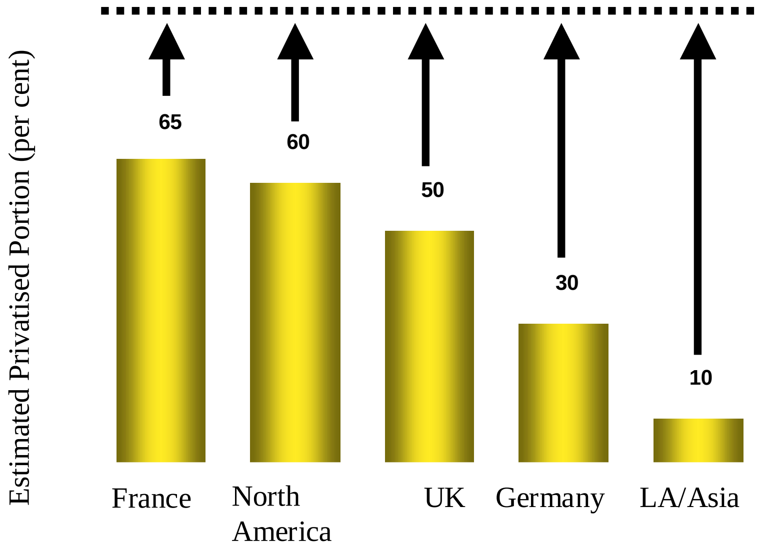
4.1 Privatisation

One of the reasons for the growth in the market has been the drive to privatise the municipal waste service.

However, even in the UK, not all municipal collection or disposal/treatment contracts have yet been privatised. Onyx estimate that in 2001 private companies had 35% of refuse collection contract volume market share, and that municipal Direct Service Organisations (DSOs) retained 65%[7]. These figures apply to England only but there is no reason to believe that the UK as a whole would be much different. DSOs are organisations set up by municipalities to compete for contracts with tenders submitted by private contractors. They are not separate companies although they must produce accounts.

It is remarkable that after over a decade of contracting out, public sector providers continue to play such an important role in collection. Interestingly, Kevin Hurst of Onyx predicts that with fewer players and less choice, he estimates a 5% swing to DSO control of refuse collection contracts, with a 70/30 split by 2006[8].

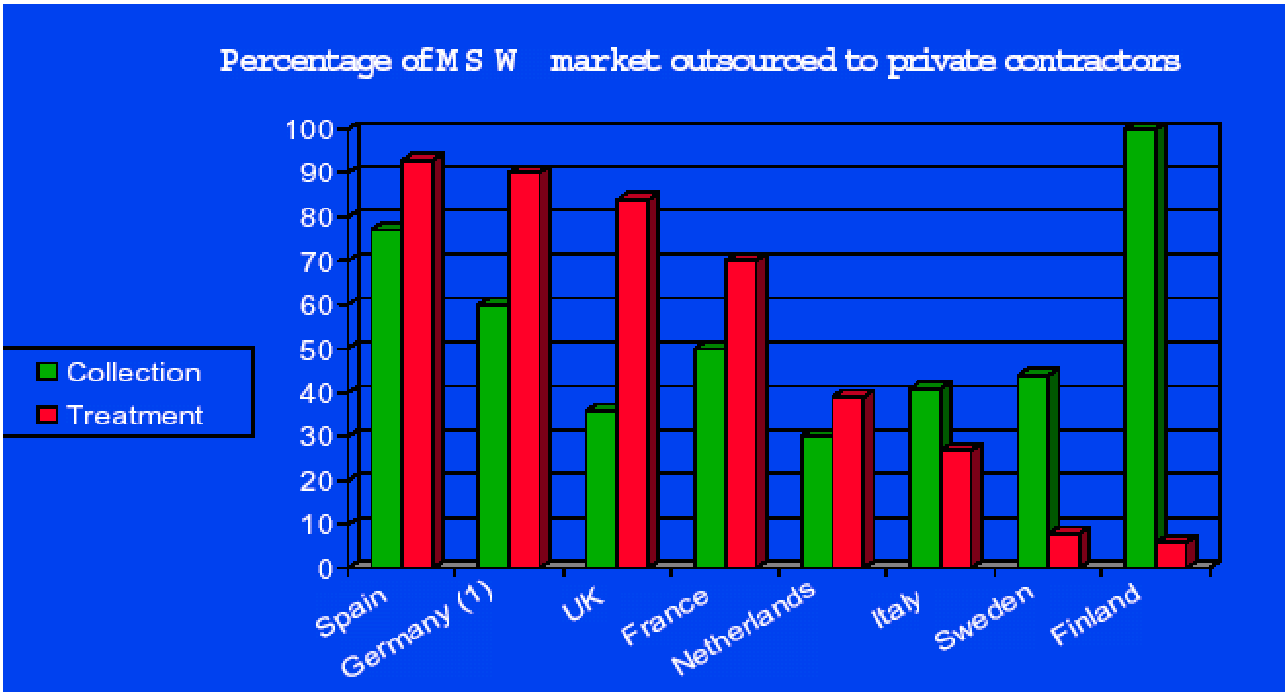
♦ **Privatisation estimates for municipal waste management in key markets**



Source: Vivendi Presentation to Investors and Credit Analysts, June 2001

The estimates made by Onyx and Vivendi (above) are mirrored in those made by rival, Sita (see next chart).

- **Collection and treatment of municipal solid waste (MSW) market: public-private share in selected countries**



(1) includes DSD
Sources: BDE, ASELIP, FISE, WAV, RVF, ESA, SITA, cited in Saint Bris 2001

In Germany, the Advisory Council for the Environment argued that while privatisation would be welcomed for 'the logistics services collection and transport', it feared that privatising 'the treatment and landfilling of waste, i.e., the operation of incineration facilities and landfills… would cause new problems rather than resolving current problems'.[9]

This was because the Council felt that in collection and transport it is possible to hold regular tenders for contracts to ensure that competition takes place, whereas treatment and disposal requires long term investment – a situation which does not allow for sufficiently short contract periods. In cases where 'competition' only takes place at intervals of 20 years or more, the Council's view was that the 'efficiency effect' is largely lost and that there is a danger of the emergence of tendering cartels.

Despite the claims made by supporters of waste management privatisation (which include the World Bank[10]), there is considerable doubt about whether it has resulted in improvements in the quality of service provision. Even in the UK, where both the main political parties have enthusiastically embraced privatisation, there is little to support this. As the government's Audit Commission recently noted: 'Overall there is no evidence that in-house or contracted out waste services are necessarily better or worse, but there is evidence that the local authority will provide better quality services if these relationships are well managed'.[11]

In a recent report from Cardiff University's Business School for the UK Public Services Network (formerly ACSCO the Association of Contract Services Chief Officers) researchers argued that while compulsory competitive tendering (CCT) may have delivered services at a lower cost (largely by cutting jobs, pay and conditions), it 'dumbed down' delivery: 'Service improvements often occurred only when contracts were re-negotiated. Improvements were all too easily disjointed, punctuated rather than continuous'. They claim that because CCT worked against innovative approaches to service delivery (except in the area of cost control), it resulted in services becoming ‘frozen’ in the late 1980s – hence ‘the UK’s performance in waste minimisation and recycling lags behind the rest of Europe’[12].

The report warned that ‘local authorities should be wary of externalisation that renders them so ‘hollowed out’ that they are left entirely at the mercy of an imperfect market place’[13].

4.2 Vertical integration and multi-utilities

The changes in the market outlined above have taken place side by side with the move towards a more integrated approach from the private sector companies. This has been a pattern across Europe.

The major companies share a view on the future direction of the waste management industry. Both Vivendi Environnement (parent of Onyx) and Suez (the parent of Sita) have put similar models before their respective investors.

Vivendi has outlined its vision of the changing nature of what it calls the ‘new environmental services industry’[14].

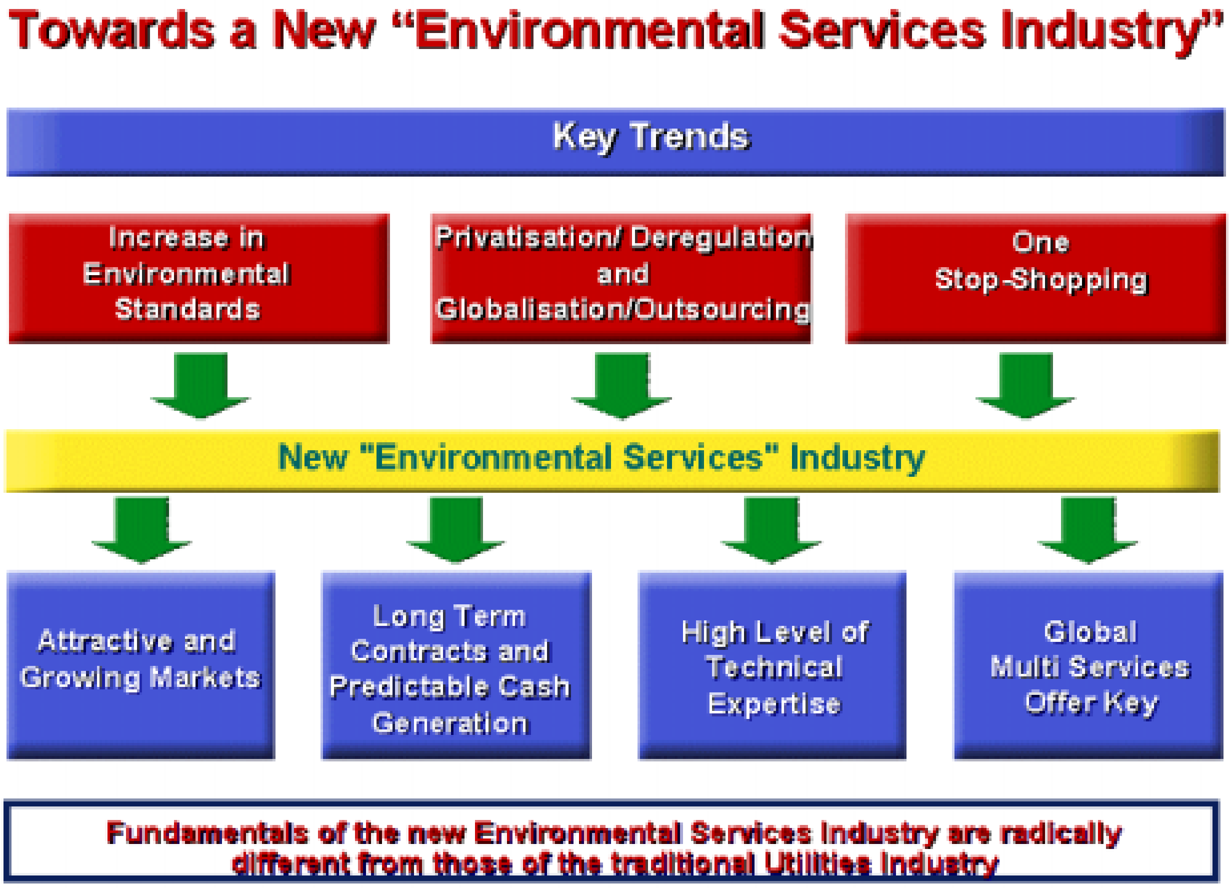
This new industry does not just refer to waste management, although it is an important part of the picture. Vivendi identifies three key trends:

- Increase in environmental standards
- Privatisation/deregulation and globalisation/outsourcing
- One stop shopping

Vivendi argues that these trends will push the industry into a new model characterised by:

- Attractive and growing markets
- Long term contracts and predictable cash generation
- High level of technical expertise
- Global multi services offering the key

- **The Vivendi model of the multiservice future**



Source: Vivendi presentation to Investors and Credit Analysts, June 2001

Vivendi regards itself as ideally placed to make major gains in the 'new industry' with its operations in water, waste, energy services and transport (plus the holding in Spanish utility, FCC).

Rival French multi utility, Suez, has a similar vision. Although Suez is not involved in transport it competes with Vivendi in water, waste and energy services. Its waste unit, Sita has already put into practice the thinking behind Vivendi's vision with the establishment of Sita One, a one-stop shop for major multinational customers operating in Europe.

In January 2003 it announced a major re-organisation, the second in less than two years (see next section).

In 2001 it created Suez Industrial Solutions (SIS), a joint subsidiary of the Energy, Water and Waste Services divisions, in an attempt to create an integrated, coherent Group response to the perceived needs of a changing market. SIS was supposed to organise and unify the Group's resources, "by coordinating its industrial development policy, and by taking direct responsibility for supervising the Group's major multi-services contracts"[15].

On a smaller scale, the other European-based competitors are attempting to follow suit in the sense of creating groups which offer a full range of waste management services.
For example, RWE Umwelt report that the full takeover of Trienekens, (a company it owned 50% of until 2002) is able to 'expand our expertise and the degree of coverage of our core waste management and recycling business: the collection and transportation, the sorting and recycling, the utilization or disposal of all kinds of wastes, and the marketing of the secondary raw materials obtained – these comprehensive

nationwide services offered by the new RWE Umwelt encompass all the value added stages with regard to domestic and hazardous wastes.'[16].

RWE Umwelt also aims 'to work within the RWE Group on innovative offers for the supply of utilities and waste management services from a single source and tap into any remaining potential for intragroup quantity sales.'[17]

There are some concerns among environmentalists about industry's support for 'integrated waste solutions'. For example, the European Environment Bureau is worried that this will ultimately lead to the cheapest and easiest solution rather than the most environmentally appropriate[18]. They fear that incineration will become the main focus of waste management rather than waste prevention.

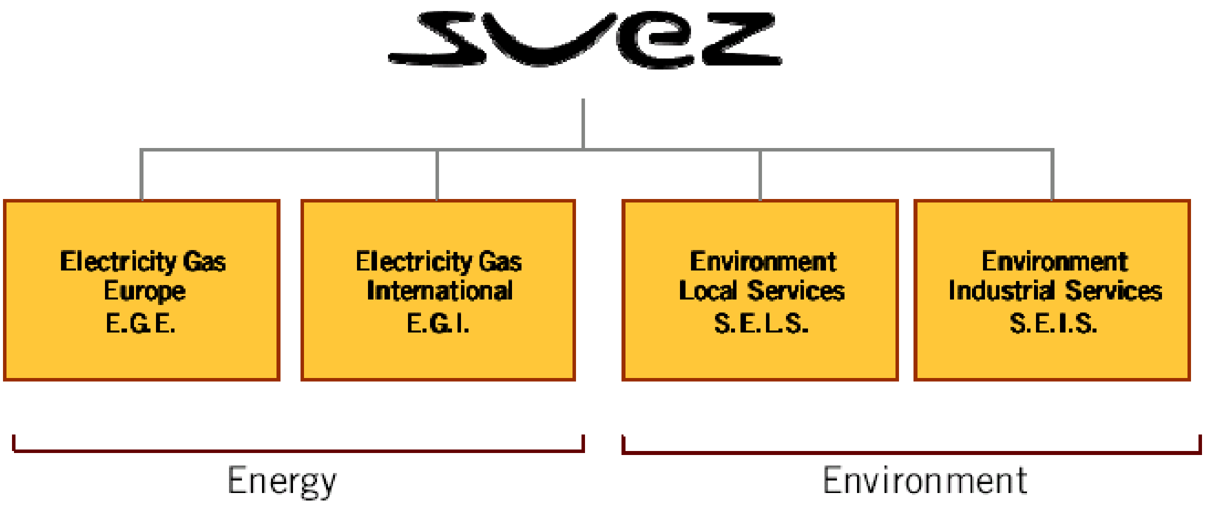
4.3 Poor results, re-organisations and some acquisitions

Several of the largest waste companies have reported poor results in the last year. This has led to re-organisations, re-appraisal of company strategies in terms of the world markets and a focus on core business.

♦ Suez re-organises

After revealing major losses, in January 2003, Suez announced its 2003-2004 Action Plan. It concentrated on:

- more streamlined organisation
- the creation of a new division - Suez Environment Local Services – bringing together the municipal operations of Sita and Ondeo (its water subsidiary)
- a parallel creation of Suez Environment Industrial Services, which brings together the waste and water operations for industrial customers
- a target of drastically reducing debt
- disposal of non-core assets
- a cut in investment
- a reduction in exposure to 'emerging countries' by more than a third (and instead a concentration on markets in the EU and North America)[19]



One of the first casualties was the head of Sita UK. The day after Suez announced annual losses of €863m, the Guardian reported that Ian Goodfellow, UK managing director of Sita, had been sacked.[20]

Suez conceded that 2002-03 had resulted in unfavourable economic conditions resulting in 2002 being ‘marked by crises’[21]. Some of this was as a result of losses in Latin America (Argentina and Brazil).

The company’s response was to announce that it would ‘concentrate on the soundest markets providing the most recurrent revenues (the European Union and North America), starting from the Franco-Belgian domestic base’ and ‘reduce emerging country exposure by one-third, in terms of capital employed’.

The company is also re-organising its Belgian interests.

Suez also resolved to ‘increase the technical expertise content of activities, reduce collections, develop treatment and strengthen hazardous industrial waste treatment’ and to ‘increase the profitability of Sita's, German, and British subsidiaries’.[22]

One area identified for ‘targeted development’ was central Europe, and in particular – Poland.[23]

♦ Vivendi re-organises too

In January Vivendi Environnement re-organised its Management Board and in March announced that it would be renaming itself.[24] It intends to keep the initials VE, but it will now be known as Veolia Environnement.[25] This is intended to symbolise the separation from former parent Vivendi Universal and the end of the financial problems associated with that relationship. Whether success will follow the replacement of one meaningless word invented by a public relations consultancy with another, remains to be seen.

The company reported that the previous year had been a ‘difficult environment’[26]. Like Suez, the company is emphasising its operations in ‘secure geographical coverage’.

These changes follow a previous restructuring in 2001 in which the company merged its Dalkia energy operations with the energy services operations of Electricité de France (EDF).

♦ RWE to withdraw from waste management?

In February 2003, RWE’s Annual Report noted that the company had had a difficult time (‘not an easy year’) with increased competition combined with falling prices and a poor public image for the industry[27].

This was partly as a result of a political funding scandal involving Trienekens (at the time 50% owned by RWE). It concerned allegations of illegal donations from the company to the ruling SPD.

Das Bild reported that Trienekens AG, a Cologne-based waste recycling company (50% owned by RWE), paid cash donations to the SPD branch in Muelheim in the Ruhr, in return for contracts[28]. SPD leaders in Cologne have admitted receiving at least Euros 260,000 (Dollars 228,800, Pounds 160,680) in illegal party donations and of making false tax declarations for personal gain.

Partly as a way of ending the bad publicity, in 2002 RWE Umwelt bought the 50% of Trinekens that it did not already own, consolidating its position as the leading German waste company, but significantly adding to its debt.

The company pointed out that this acquisition meant that it was now able to offer a fully integrated service in both domestic and hazardous waste. RWE also announced that it would be concentrating its activities on Germany in the near future and allowing its international operations to grow organically.[29]

There has been press speculation that the parent company may sell its environmental services unit RWE Umwelt. This is not the first time that such speculation has taken place, and the company denied this. However, it also previously denied any re-organisation was planned then later confirmed it, so there remain some questions about the future of the environmental services unit.[30]

The instability and volatility of the industry is reflected in the fact that earlier in 2002, RWE Umwelt was being talked of as possible 'hunter', in search of expansion – perhaps in the UK or the Benelux countries – but is now the subject of rumours that it will become one of the 'hunted'.

In March 2003, RWE AG's new chairman Harry Roels said he plans to develop a new structure for the company by the middle of the year.[31]

♦ Brambles in a shambles

In November 2002, Cleanaway's parent Brambles issued a profits warning (its third in a year) and its share price dropped. This was mainly due to its pallet operation CHEP in Europe, but Cleanaway's German waste disposal business has also had problems.[32]

Interim results released in March showed that the parent group suffered a 7% drop in operating profits. In a presentation given at the time, chief executive CK Chow said that the Cleanaway unit had performed steadily in the previous six months but faced 'a challenging market in Europe'.[33]

♦ Rethmann continues to look east

Private German waste company Rethmann has continued to look eastwards for expansion. In September 2002, it announced it was taking over most of the Polish operations of the Lobbe Group.

By this acquisition of 19 subsidiaries, Rethmann has become an important player in the Polish market, doubling the number of sites it owns, covering all regions of the country and increasing its Polish workforce from 1,068 to 2,087.[34]

5. European waste management industry trends

The European waste management market continues to be the subject of change and restructuring as a result of the impact of various factors identified earlier.

Liberalisation and privatisation has led directly to the current situation in which the industry is increasingly dominated by a relatively small number of large companies. They are attempting to continue their growth through a combination of acquisition and the push to privatise the remaining municipally-owned service providers.

Therefore there is every likelihood that there will be further consolidation in the next period.

Industry trends across Europe have seen:

- Continued push for privatisation
- Retreat of US multinationals
- Environmental pressures
- Concentration
- Growth of European multi-utility multinationals
- Vertical integration

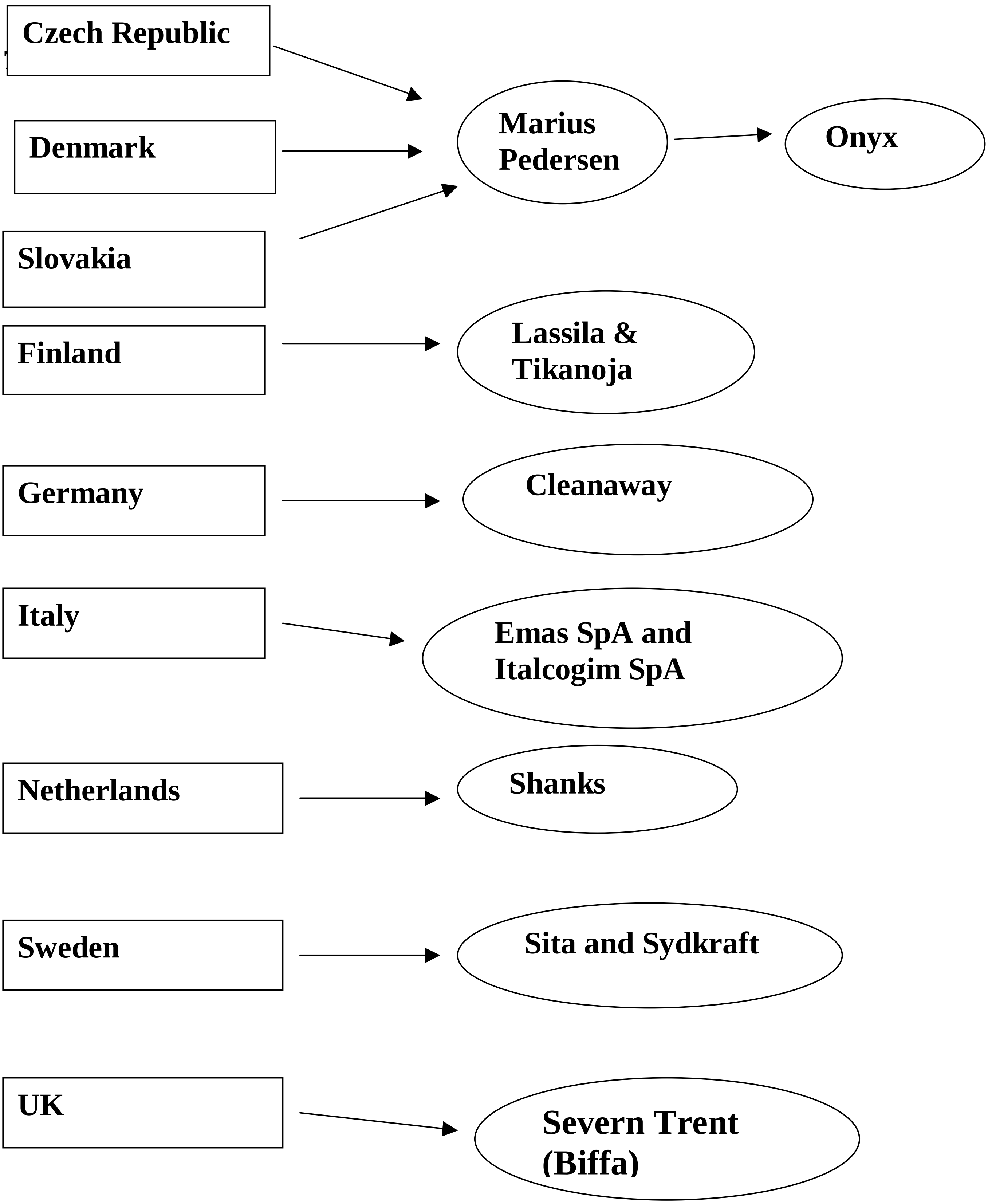
The major companies are, however, not satisfied with the changes to date. Referring to the European waste management market as a whole, Sita's Director of Strategic Development called for a further round of reforms:

- Implementing a level playing field for public-private competition
    - Rationalisation of taxation (VAT)
    - Compulsory Competitive Tendering (CCT)
    - Imposing clearer accountability on municipalities
    - Prohibiting municipal involvement in industrial markets
- Deregulation of national waste industries
    - Clarifying legal questions on the status of public services
    - A need for European Commission intervention
    - High level of enforcement would be required at all levels[35]

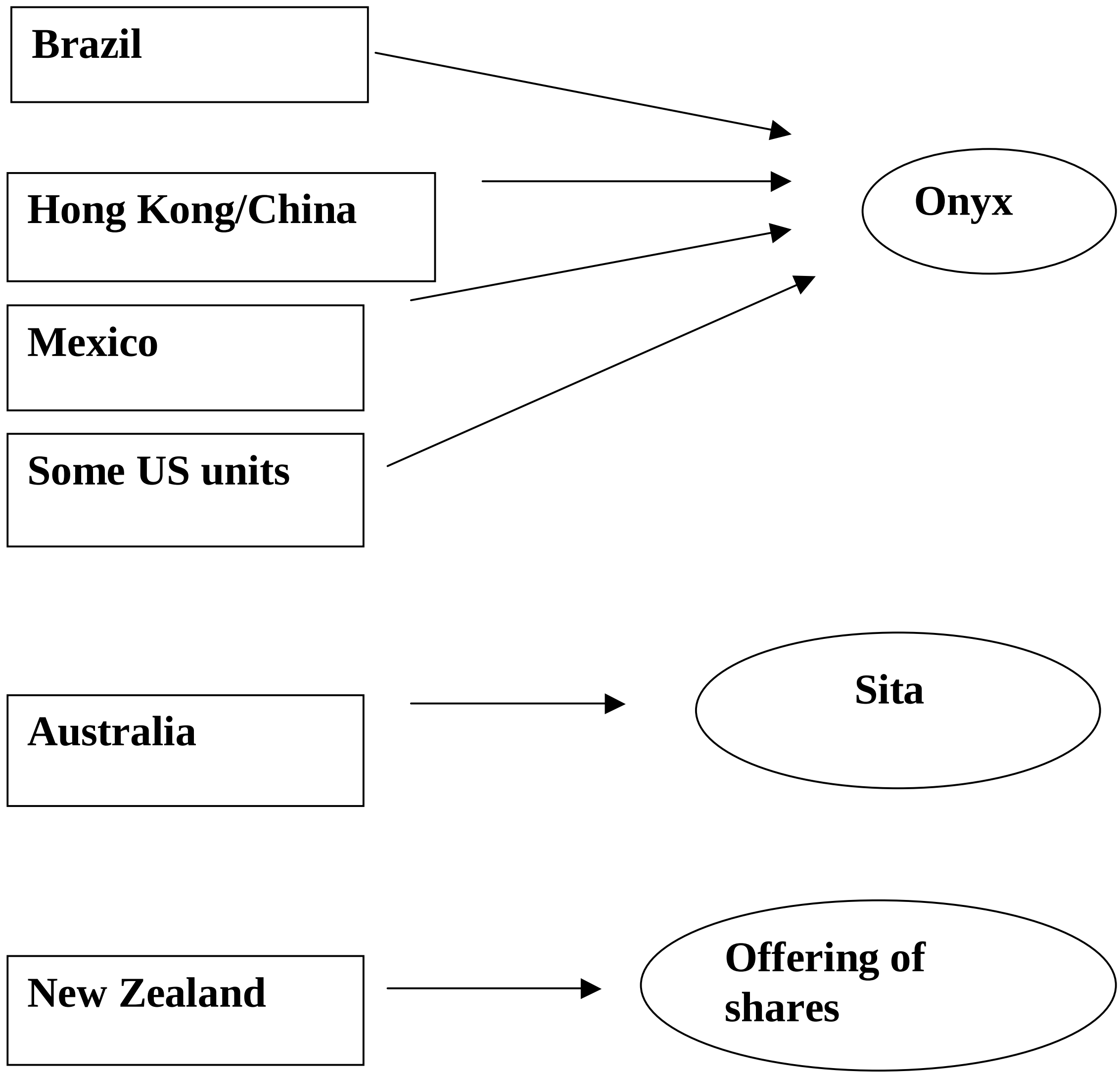
Similar demands have been made by RWE – particularly in terms of tax, but also to remove industrial waste from municipal responsibility.

These represent increasingly obvious attempts by the companies to reduce the amount of risk that they face and to secure their position in European markets.

6. Annex 1: WMI withdraws from Europe



Annex 2: WMI withdraws from the rest of the world



8. Annex 3: the European Environment Agency web site (www.eea.eu.int)

The European Environment Agency is a useful source of information on the environment in general and waste management in particular. It was established under EEC Regulation 1210/1990 as amended by EEC Regulation 933/1999 and has been operational since 1994.

It says that its 'core task is to provide decision-makers with the information needed for making sound and effective policies to protect the environment and support sustainable development.'

It provides information on assessing the current and future state of the environment across Europe and the pressures upon it. The Agency's tasks also include disseminating best practice in environmental protection and technologies, and supporting the European Commission in diffusing information on the results of environmental research.

Its website (www.eea.eu.int) provides access to documents and research which are gathered under a number of themes, the most important of which are:

- water
- air
- waste
- transport
- climate change

The EEA's waste section organises its information under the following areas:

- indicators
- reports
- links
- targets

As an illustration of the range of material available from the EEA site, the latest waste management-related reports are:

- Case studies on waste minimisation practices in Europe
- EIONET workshop on waste and material flows - 4th annual workshop - Bratislava, Slovak Republic, 11 and 12 October 2001 - Workshop proceedings
- Biodegradable municipal waste management in Europe
- Hazardous waste generation in EEA member countries
- Review of selected waste streams: Sewage sludge, construction and demolition waste, waste oils, waste from coal-fired power plants and biodegradable municipal waste
- Waste - Annual topic update 2000
- Waste management facilities - Electronic catalogue

The EEA also has five topic centres, including the European Topic Centre on Waste and Material Flows. It is an international consortium and its web site can be found at http://waste.eionet.eu.int/

9. Notes

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