

Water Companies and Trends in Europe 2012

Summary

There have been few major takeovers and mergers in the sector since 2010. Both Suez and Veolia have sold their last remaining water companies in the UK to private equity consortia, which now dominate the water sector in the UK.

The main trend in ownership is towards re-municipalisation.

- Other towns and communes in France are following the example set by Paris in 2010 and re-municipalising water services as private contracts expire.
- The water services in Berlin and Budapest are both in the process of returning to total public ownership.
- The Italian referendum result is leading to new citizen pressures for re-municipalisation, and multinationals deciding to reduce their presence in the country.

However, there is a significant counter-tendency coming from austerity packages in Greece, Portugal and Bulgaria, where water privatisations are part of the planned ways of raising extra income for the state. In Spain, Madrid city council is attempting to privatise the city water company, Canal Isabel II.

The major companies – particularly Veolia – are seeking to develop a new business model based on long-term outsourcing of functions by public sector water companies. This poses dangers for both users and employees, as the cost of the contracts squeezes other spending, creates upward pressure on prices and downward pressure on labour costs as a way of boosting profit margins.

Veolia, in particular, is seeking to influence the EU in order to maximise the business available in terms of this new model, including high levels of spending on treatment and desalination and an acceptance of a core public service underpinned by public finance. Along with other multinationals, it is on a key EU committee looking at 'resource efficiency' policies, which will influence the forthcoming EU policy document on water resources, including the possibility of greater trading of water.

The EU has published a new paper on water policy in developing countries, which is less focussed on privatisation than in the past, and it has also allocated funding to support public-public partnerships between European and African public sector water operators.

Beyond Europe, the major companies continue to retreat from Africa, while maintaining their operations in Latin America. The stated policy is to concentrate on engineering BOTs, service and management contracts, in north America, eastern Europe, the middle east and China, but both Suez and Veolia have obtained large contracts in India.

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