



The Business School

Public Services International Research Unit (PSIRU)

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Aquafed – another pressure group for private water

by

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Public Services International Research Unit (PSIRU) is part of the Business School at the University of Greenwich (www.gre.ac.uk). PSIRU’s research is centred on the maintenance of an extensive database on the economic, political, social and technical experience with privatisation and restructuring of public services worldwide, on the multinational companies involved, and on the impact of the policies of international financial institutions and the European Union, especially in water, energy and healthcare. This core database is financed by Public Services International (www.world-psi.org), the worldwide confederation of public service trade unions. PSIRU is the coordinator of the Watertime project (www.watertime.org), funded by the European Commission research directorate under FP5: Energy, Environment and Sustainable Development, Contract No: EVK4-2002-0095.

1. AquaFed: a new lobby group for private water

"AquaFed® will be the voice of the private water industry vis-à-vis international organisations."

With an office at the Rond Point Schuman, in the heart of the EU quarter in Brussels, the International Federation of Private Water Operators (AquaFed) has chosen a very prestigious address. This is the most expensive office location in Brussels, but located straight opposite of the European Commission headquarters it is ideal for lobbying purposes.¹ AquaFed's second office is on avenue Hoche in the centre of Paris.

The locations of the two AquaFed offices reflect two key features of this new corporate lobby group, launched in October 2005. Firstly, AquaFed's efforts "to promote private sector participation in water and wastewater management" will be heavily focused on European Union decision-making. Secondly, AquaFed has strong French roots due to its close connections to the French water multinational Suez.² AquaFed's president is Gerard Payen, the former CEO and chairman of the Ondeo Group, Suez' water division³; and Jack Moss, Senior Water Advisor at Suez, represents AquaFed at international events.

2. Why was AquaFed established

According to the brochure in which AquaFed presents itself, "Up to now Private Water Operators as a body have not been represented internationally."⁴ For most observers of the international water debate, this will be a somewhat surprising statement. Over the last five-ten years, the interests of the private water industry have been defended by a whole range of different international level lobby groups, including

- the World Water Council (powerful international think tank with strong private sector leanings)
- the World Business Council for Sustainable Development (WBCSD)⁵
- the International Chamber of Commerce (ICC)
- Business Action for Water (a joint effort by the WBCSD and the ICC which is most active during UN CSD summits)
- the "CEO Panel", a PR vehicle for Suez and other private operators during the World Water Forum in The Hague (2000) and Kyoto (2003)⁶
- The World Economic Forum (which launched a Water Initiative in 2005)⁷
- the now defunct International Private Water Association (IPWA)⁸

Add to that the intense lobbying efforts by individual private water corporations like Suez, Veolia and Thames Water and it is clear that AquaFed is very much an additional lobbying vehicle rather than filling a vacuum.⁹

Two main motives stand out to explain why AquaFed was established to intensify the private water industry's lobbying efforts. Firstly, the serious PR problems which Suez and other water multinationals face now that it becoming apparent that the high claims made for privatisation have not been fulfilled. Despite the PR budgets available to the water corporations, anti-privatisation activists are seen to be winning the public debate. Whether establishing an International Federation of Private Water Operators will help turn the tide remains to be seen.

Secondly, it is a fact that the water multinationals do not have a collective lobbying vehicle specifically aimed at influencing the European Union institutions. Suez itself is very active in EU lobbying, often bringing in heavyweights like former European Commissioner Yves-Thibault de Silguy, who is now Senior Executive Vice President of the Suez Group.¹⁰ Eureau, the prime voice of European water operators, includes both public and private sector companies. This means that its positions on issues like water liberalisation within the European Union, in the context of debates about the Single Market or the 'Bolkestein' Services Directive, are not as clear-cut pro-private as Suez would wish. Establishing AquaFed provides the supporters of liberalisation with a more effective lobbying force to influence EU decision-making.

3. Aquafed's secret membership

Almost six months after AquaFed was officially launched, the group's website lacks some basic information: there is no mention anywhere of which companies are members of AquaFed. "AquaFed membership is open to all privately controlled companies irrespective of their size or location", the AquaFed website states. It claims to "bring together over 200 water service providers operating in 38 countries worldwide", but a list of members is missing from the otherwise very professional website. Repeated email requests to the AquaFed secretariat for a list of member companies were not responded to.

This leaves a big question about how representative AquaFed is of private water operators. The website lists 38 named countries "where private operators that are linked to AquaFed are providing water/sanitation services", but fails to name the companies. Suez and/or Veolia claim to operate in all the countries mentioned. Veolia's website provides a link to the AquaFed website; Suez subsidiary AgBar put out a press release in which it proudly presented that it is a founding member of AquaFed¹¹; Suez' own website does not mention or link to Aquafed at all. None of the other private water companies - e.g. Thames Water, Biwater, Saur, Severn Trent - refer at all to the existence of AquaFed. Thames Water has publicly confirmed that they decided not to join Aquafed, despite being invited to do so.¹²

It therefore appears that Aquafed may represent only Suez, Veolia and their subsidiaries. This is in contrast with the group's presentation brochure which states that "The Federation's legitimacy stems from the diversity of its members".

AquaFed's secrecy seems to conflict with its own 'Code of Ethics' which states that the group "will observe the highest standards of conduct when dealing with state and local government officials".¹³ For industry lobby groups, disclosing the list of member companies is most basic level of transparency that can be expected. AquaFed's failure to deliver this makes it difficult for it to claim a role as a representative stakeholder.

The group's presentation brochure mentions that AquaFed has an Executive Committee appointed by a General Meeting, but there is no information about either of these on the AquaFed website. Apart from highlighting that Gerard Payen is the group's president, AquaFed fails to describe its governance and accountability structures. The website also lacks any information about AquaFed's sources of funding. According to the ethics code, AquaFed "will collaborate with other public and private bodies, paying attention to the requirements of transparency, legitimacy and also respecting the needs for confidentiality where these arise". It appears that Aquafed is treating its own membership and finances as confidential issues.

4. AquaFed's Ethics

Apart from the fact that AquaFed fails to live up to basic standards of lobbying transparency, there are questions about how members are really subject to the group's "Code of Ethics".¹⁴ The code encourages Aquafed members to "ban corrupt trading practices" and "condemns anti-competitive practises". However, there is no reference to enforcement mechanisms, or how Aquafed decides to discipline or refuse membership to companies which breach this principle. If it did, it could have difficulty retaining its only two members. As the Centre for Public Integrity points out, both Suez and Veolia in France "have come under scrutiny in a host of criminal and civil cases, with accusations that include bribery of public officials, illegal political contributions, kickbacks, price fixing, operating cartels and fraudulent accounting."¹⁵ As recently as November 2005 Suez was fined 400,000 Euros by the Conseil de concurrence (Competition Commission) of France, for anti-competitive behaviour in tendering for water contracts in the Ile-de-France region.¹⁶

Apart from the weakness of what is in the code, there are other ethical principles that are missing. AquaFed could for example have included a commitment for companies not to enter privatisation contracts imposed through loan or aid conditionalities – a feasible commitment which has been made by Thames Water for several years.

AquaFed claims it "exists to connect private water operators, public institutions and civil society organisations". This implied openness is in sharp contrast to the actual behaviour of Suez, in particular, over

the last decade. Suez deliberately uses libel lawsuits as a deterrent to public criticism of privatisation processes: for example in 2002 the company successfully sued economics professor Jean-Philippe Joseph, for publicly advancing the extremely defensible analysis that the French water companies had achieved domination of the home market through political techniques which included corruption: as noted by the Centre for Public Integrity, courts in France and Italy have convicted executives and public officials for bribes paid by Suez and Veolia subsidiaries.¹⁷

It seems unlikely that many civil society groups will see AquaFed as anything but a lobby group defending the commercial interests of the two largest water multinationals.

5. The Many Hats of Gérard Payen

During his time at Suez, AquaFed President Gerard Payen orchestrated the company's massive global expansion, including acquiring numerous water concessions in large cities in developing countries. The company's promises have since turned sour and in the last few years, Suez has been forced to withdraw from concessions in cities in Bolivia, the Philippines, Argentina and elsewhere after failing to deliver promised improvements.

Payen is extremely well-connected and far from a newcomer to the field of corporate lobbying. In 2002 and 2003 Payen was the senior executive vice-president of Suez with responsibility for "Global Water Issues". His task was to lobby for the commercial interests of Suez at events like the UN's sustainable development summit in Johannesburg, the World Water Forum in Kyoto and the G8 summit in Evian.¹⁸ In this period Payen was also a member of the much criticised Camdessus panel report published in 2003, which recommended a wide range of subsidy and guarantee mechanisms to enable further global expansion by water multinationals like Suez.¹⁹

Since 2005, Payen has also been involved the Task Force on Financing Water for All (led by former Mexican minister of Finance Angel Gurría), which at the World Water Forum in Mexico City (March 16-22) will present follow-up recommendations to the Camdessus report. Payen has excellent relations with the World Water Council, the powerful neoliberal think tank which initiated the Camdessus and Gurría panels. He is also a member of the UN Advisory Board on Water and Sanitation, established by Secretary-General Kofi Annan in March 2004. Payen's positions in the International Water Association and the Scientific and Technical Association for Water and Environment (ASTEE - the French association of water professionals) means he has a lot of different hats to wear in his lobbying efforts for water privatisation.²⁰

Payen played a very active role in the 'European Regional Committee' for the World Water Forum in Mexico City, a 'multi-stakeholder' process involving government agencies and a narrow selection of NGOs.²¹ Payen's involvement included drafting key documents intended to be included in the Forum's Ministerial Declaration.²² Advanced draft versions of these documents, posted on the website of the European Regional Committee, originated from Payen's computer.²³ A coalition of unions and NGOs wrote a letter of complaint to the secretariat of the European Regional Committee, pointing out that "it is impossible for us to have confidence in a process in which the drafting of key documents is left to the President of AquaFed (the International Federation of Private Water Operators), the lobby group of global water multinationals."²⁴ During his involvement in the European Regional Committee Mr. Payen was wearing his ASTEE hat (the Scientific and Technical Association for Water and Environment, the French association of water professionals). It was not made clear to everyone in the process that he is not an unbiased water professional, but the president of the lobby group that wants to be "the voice of the private water industry".

6. Suez and Veolia: networks of influence

Aquafed is the latest addition to the range of groups through which Suez and Veolia seek to influence national and international political decisions. Suez, especially, is very active in founding, financing, and leading institutions designed to influence political leaders and bodies. Some of these operate as obvious representatives of business interests – such as WBCSD - but many operate as NGOs in which the business interest is not so clear. Suez has actively created and played a leading role in organisations addressing issues

of globalisation, its social impact, corporate social responsibility, sustainable development, environment, and gender issues.

At a global level, they are already both members of the World Business Council for Sustainable Development [WBCSD](http://www.wbcSD.org/) (<http://www.wbcSD.org/>). In December 2004, a few months before Aquafed was created, Suez and Veolia used the WBCSD to create the Business Action for Water (BAW), a vehicle to provide business input into the UN Commission on Sustainable Development (UNCSD) conference on water in 2005.

The [OSI](http://www.observatoire-social.com/) (www.observatoire-social.com/) Observatoire Social International is an international body established in 2000 “with the support of Jérôme Monod and Gérard Mestrallet, on the initiative of the Suez Group”. It is concerned with the social, ethical and environmental dimensions in the globalisation process, and specifically aims to set up a range of partnerships and global networks. It operates sporadically through conferences, which have been held in Buenos Aires and Casablanca, where Suez has a major concessions, and Brussels.

Suez is also active in national and international organisations focussing on corporate social responsibility. Suez was a founder member of [CSR Europe](http://www.csreurope.org/) Corporate Social Responsibility Europe (<http://www.csreurope.org/>), and has the leading role of administrator of the network since 1999: CSR Europe is chaired by Etienne Davignon, Vice-President of Suez. CSR Europe “has, for several years, been the prime interlocutor for European institutions” including the EC on social and environmental responsibilities. Veolia is not a member of CSR Europe. Suez is also a member of the France-based bodies [FIR](#) Forum pour l'Investissement Responsable (FIR - forum for responsible investment) and, with Veolia, of [ORSE](#) Observatoire sur la Responsabilité Sociétale des Entreprises .

Suez and Veolia are members of the international business group on environmental issues, the [EpE](http://www.epe-asso.org/) Entreprises pour l'Environnement (<http://www.epe-asso.org/>) and of [Comité 21](#) . This committee is France’s official body for environment and sustainable development under Agenda 21, following the Rio conference, and Suez states that it has from the outset had a leading role as “administrator of the association since its creation” .

On gender issues, Suez is one of the corporations which funds the [Women's Forum](http://www.womens-forum.com/) (<http://www.womens-forum.com/>), along with L’Oréal, Cartier, PriceWaterhouseCoopers, and Orange.

The companies also make significant efforts to influence and control academic and independent research. Suez, especially, and Veolia have both devoted significant resources to influencing the agenda of academics and other institutes carrying out research into water and privatization. The next sections examine the extremely ambitious ways in which the companies have gone about this at international and European levels.

7. Europe - Suez influence on EC funded research

Suez actively involves itself in influencing the research funding policy of the European Commission (EC). The EC has a specific directorate for supporting academic research across Europe, which allocates significant sums of public money to research projects. This follows good public procurement practice, by first defining the terms of reference and then inviting competitive proposals which are evaluated against published criteria. The research budgets are spent under 5-7 year rolling programmes under successive ‘frameworks’ – the most recently completed was the 5th framework programme, which ran to the end of 2005.

Suez was represented on the advisory panel for the development of the 5th framework sub-programme on ‘Sustainable management and quality of water’ – the only non-academic and non-governmental representative on that panel.²⁵ In April 1997, Christian Paternmann, Director of DG Research for the subject area of the environment, speaking about the new 5th framework programme, told a conference in Paris that the EC research programme in this sector was closely aligned to the concerns of Suez:

“I accord great attention to the creation of the new Suez-Lyonnaise des Eaux group. In fact we may all observe that its basic work is not very far removed from the objectives that we have set ourselves.”²⁶

The company networks also give them a pervasive presence in research projects funded by the EC. In the 5th framework programme, Veolia was one of the partners in the EC-funded project WEKNOW²⁷; Oieau, of which Suez and Veolia are founding members²⁸, was one of the partners in Aqualibrium, a 5th framework project which produced reports on the water systems in 15 countries; and Unesco-IHE, funded both directly and indirectly by Suez, was a leading partner in the Euromarket project.

8. Suez pressure EC not to fund critical research

In 2005 Suez attempted to tell the EC which research projects and institutions it should and should not fund. Yves-Thibault de Silguy is Senior Executive Vice President of Suez, in charge of International Affairs and Institutional Relations. He is extremely well connected at the highest level of French and European politics – he was himself a former European Commissioner, in the key post of Economic and Monetary Affairs, in the 1990s.

On 1st July 2005 he wrote a personal letter to Janez Potočnik, the European Commissioner responsible for DG Research, which complained about a specific project funded by the EC, called 'Watertime'. (PSIRU, whose director is one of the authors of this report, was the coordinator of the Watertime project). This project had received funding from the EC after exhaustive evaluation through its proper procedures for assessing research proposals, in competition with other proposals from researchers across Europe. In the letter, De Silguy complained that the project did not support privatisation ('show a clear bias in favour of remunicipalisation of urban water' - "indiquent clairement un parti pris en faveur de la rémunicipalisation des services d'eau de ville"), complained that EC funding was giving too much credibility to the results ('Commission funding gives these researchers a credibility and visibility which allows them to be cited by numerous other authors' - "le financement de la Commission confère à ces chercheurs une crédibilité et une visibilité qui leur permettent, par la suite, d'être cités par de nombreux autres auteurs."), and demanded that the EC should be more careful in future about who it funded ("the Commission should be very vigilant in respect of the programmes which it finances" - "Il serait souhaitable que la Commission demeure très vigilante quant aux programmes qu'elle finance").

This letter from de Silguy was an attempt by Suez to use personal and political pressures to influence the funding decisions of a public body. The act of writing the letter indicates that Suez and De Silguy assume that the receipt of such a letter will result in the EC being more fearful of funding projects whose results are disliked by Suez.

The letter from De Silguy was also full of elementary inaccuracies, untruths, false allegations, and unjustified claims. It is an interesting indicator of the standards of accuracy which Suez itself finds acceptable in promoting its own interests and attempting to undermine research which it considers unhelpful to those commercial interests. A detailed response to the letter is attached as an annexe to this paper.

9. UNESCO-IHE: Suez finances institute, professor, course material, students

Suez has asserted its influence over the water education programme of UNESCO at international level.

In October 2002 Suez and UNESCO signed a cooperation agreement, and announced that UNESCO's official water research institute would receive 300,000 Euros from Suez.²⁹ This institute is the IHE at the University of Delft, Netherlands, which is a leading international teaching and research institute in water, long-established through the finance of the government of the Netherlands. In 2001 Unesco adopted IHE as its international Institute for Water Education³⁰, and the institute is now known as the UNESCO-IHE Institute for Water Education.³¹

In July 2003 UNESCO-IHE accepted an unspecified amount of money from Suez to finance a professorship. According to the memorandum of understanding: "Suez committed to financing a Professorial Chair relative on the topic of "Public-Private Partnerships" (PPP) in the field of Water and Sanitation. This Chair will be

established at UNESCO-IHE on the basis of an average one day per week formation, and focuses on aspects related to the management and business administration of private utilities...”.

The IHE website does not identify the beneficiary of this money from Suez, and so the interest is undeclared in relation to the academic output of the professor who is funded by Suez.

Apart from the funding, Suez now contributes directly to the teaching, designing of course material, and the supervision and financing of student theses of the IHE masters course. This was part of the agreement under which Suez paid for the professorship at IHE – the 2003 MoU between Suez and IHE said that “Both organisations will also identify opportunities to involve experts of the SUEZ group as guest lecturers in the educational programmes of UNESCO-IHE....an innovative and challenging partnership for water education and research”.³²

In 2004-2005 this resulted in a remarkable level of involvement by Suez in the Masters in Water Management course at IHE which is attended by hundreds of students from around the world:

“ SUEZ has contributed [to the IHE Masters in Water Management] by:

- providing lecturers on subjects as diverse as ‘how to reduce non-revenue water’ to ‘ethics’;
- introducing a new three-week training module on public-private partnerships;
- providing methodological and financial support (grants) as well as internships at SUEZ subsidiaries for practical work by students preparing their final theses”.³³

This means that Suez have quite specific inputs to the teaching, both through lecturing on a ‘diverse’ range of issues, and through ‘methodological support’ for student theses. Suez also has direct involvement in course design, through the provision of an entire module on the controversial subject of PPPs. And Suez has further influence over the subject matter of student theses, by providing financial grants to students, and internships at Suez subsidiaries. This makes it very unlikely that the theses of the IHE masters course will be a source of independent research on water privatisation.

Suez’ money also helps to finance the UNESCO Chair for Integrated Water Resource Management, based in Casablanca, Morocco: “this chair has been extremely active throughout North Africa, by working closely with non-governmental organizations, university students and journalists” according to the press release³⁴. Suez has a multi-service concession to run water, energy and waste services in Casablanca. In late 2002 Suez was “trying to polish its image in Morocco” because services in other Moroccan cities were put out to tender, but the company had received criticism over its practices in Casablanca “accused of lack of transparency in its dealings with the municipal authorities. There have also been complaints about a rapid increase in charges”³⁵.

10. Funding international research networks

Suez and Veolia are members of [IDDRI](http://www.iddri.org/) the Institute for sustainable development and international relations (www.iddri.org/), created in 2001, and the board of directors includes Suez, Veolia, Electricite de France (EdF) – and EPE (see below) . IDDRI gives no information on how it is financed, but the treasurer is the representative of EdF, so it is probable that the funding comes from the corporate members. IDDRI aims to create a network of international network of institutions and experts, produces publications, and organises a number of conferences. In 2004 IDDRI “identified key questions which needed new research” and a set up a new fund of €2.4million to finance this – half of the money came from 6 companies, two of which are Suez and Veolia, and an association (EPE); the other half from the French state.³⁶

Suez was also a founder member of [Fondaterra](http://www.fondaterra.com) the European foundation for territorial sustainable development (www.fondaterra.com), created in 2004 by the University of Saint Quentin en Yvelines: a representative from Suez is a member of the scientific steering council. Fondaterra’s members also include other organisations in which Suez and Veolia are involved, including EPE and Comité 21.

Veolia (Vivendi) have also been financing education and research institutes, including research projects in Malaysia with Unesco in 1998.³⁷ Both Vivendi and Suez sponsored a UNESCO conference in October 2002 concerning legal framework for water, which resulted in a report, badged with the logos of UNESCO and the

Academie de l'Eau, as well as the two companies, entitled "Proposals for new legal rules in water supply & sanitation".³⁸ At the 3rd World Water Forum in Kyoto, a Vivendi speaker, Patrick Spillaert, was introduced as representing "not only Vivendi but also UNESCO".³⁹

In China, Veolia have set up a partnership education programme which involves Yale University: "*Veolia Environnement and the Urban Environment Institute (UEI) have 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 programme will be aimed at the same officials who are involved in making decisions about water privatisation, and provide increased contact opportunities: "*The program will 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*".⁴⁰

Annexe 1. Associations in which Suez and Veolia are involved

WBCSD World Business Council for Sustainable Development	Development	SV	<ul style="list-style-type: none"> SUEZ initiated the 'Sustainable Water' project, intended to foster dialogue between stakeholders at the UN's CSD-12 and CSD-13 meetings. SUEZ is also an active participant in the 'Business Action for Water' (BAW) initiative, created by the International Chamber of Commerce (ICC) and WBCSD to allow members of the network to communicate about their experiences at forthcoming international events, and especially at the United Nations Commission on Sustainable Development (UNCSD 13).
OSI Observatoire Social International	Social issues and globalisation	S	<ul style="list-style-type: none"> established with the support of Jérôme Monod and Gérard Mestrallet, on the initiative of the Suez Group, which was eager to broaden its social dialogue by giving it an international dimension, was based on one factor.
CSR Europe Corporate Social Responsibility Europe	Corporate Social responsibility	S	<ul style="list-style-type: none"> European network of companies created in 1996 at the initiative of former European Commission President Jacques Delors and the heads of several European corporations. SUEZ was a founder member and has acted as administrator of the network since 1999. CSR Europe is chaired by Etienne Davignon, Vice-President of SUEZ-TRACTEBEL.
Comité 21 French committee for environment and sustainable development	Environment (France)	SV	<ul style="list-style-type: none"> Comité 21 (the French committee for environment and sustainable development) was created in 1994 to contribute to France's implementation of Agenda 21, the action plan from the 1992 Rio World Summit. SUEZ is a member of Comité 21 and has been administrator of the association since its creation.
CNDD	Development (France)	S	<ul style="list-style-type: none"> The CNDD (national council for sustainable development) is a forum for dialogue and collaboration, created in 2002 under the authority of the prime minister. SUEZ has been a member of the CNDD since its creation in 2002.
EpE Entreprises pour l'Environnement	Environment	F	<ul style="list-style-type: none"> The Entreprises pour l'Environnement association (EpE – enterprises for the environment) was created in 1992. It brings together 40 major companies that intend to better integrate sustainable development into their strategic decisions and day-to-day management.
FIR Forum pour l'Investissement Responsable (FIR – forum for responsible investment)	Corporate Social responsibility (France)	S	<ul style="list-style-type: none"> To promote responsible investment concepts and practices, fund managers, specialised social and environmental analysts, consultants, trade unionists, academics, clergy and citizens gathered to create the French Social Investment Forum – French SIF. With a common goal, to ensure that more people invest based on the idea of social cohesion and sustainable development.
Iddri Institute for sustainable development and international relations	Development	S	<ul style="list-style-type: none"> SUEZ is a member of the Institut du développement durable et des relations internationales (IDDRI – institute for sustainable development and international relations). Created in 2001. IDDRI forms part of an international network of

			<p>institutions and experts sharing the same concerns. It uses "Une méthode participative. Les questions sont déterminées conjointement par les acteurs impliqués. Les travaux sont conduits dans le respect des règles académiques et de la confidentialité."</p> <ul style="list-style-type: none"> In 2004, IDDRI created the IDDRI foundation to finance long-term projects. SUEZ is one of the sponsors of the foundation [also Veolia]
Fondaterra	Development	S	<ul style="list-style-type: none"> Fondaterra (the European foundation for territorial sustainable development) was created by the University of Saint Quentin en Yvelines in September 2004. SUEZ has been a member of Fondaterra since its creation. A representative from SUEZ Environnement is a member of the scientific steering council.
ORSE Observatoire sur la Responsabilité Sociétale des Entreprises	Corporate Social responsibility (France)	SV	<ul style="list-style-type: none">
CODEV	Development (France)	S	<ul style="list-style-type: none"> The Conseil de développement économique durable de Paris (CODEV – Paris council for sustainable economic development) was inaugurated by the Mayor of Paris on Monday 4 March, 2002.
Fondation Nicolas Hulot	Environment (Belgium)	S	<ul style="list-style-type: none"> SUEZ has been a partner of the "Fondation Nicolas Hulot Belgique" since 2001 and supports the activities of 160 clubs as well as the development of new projects to heighten public involvement in actions in favor of the environment.
UNESCO	Education	S	<ul style="list-style-type: none">
Women's Forum	Gender	S	<ul style="list-style-type: none"> the Forum is funded by Corporate Partners and Corporate Members. [Suez financed the first conference in 2005, and is financing the second in 2006]
Aquafed	Lobbying	SV	<ul style="list-style-type: none">
Oieau	Research	SV	<ul style="list-style-type: none">

Annexe 2. Annexe: A response to the letter from De Silguy

Janez Potočnik
Commissioner,
DG Research
European Commission
B-1049 Brussels, Belgium

27 July 2005

Dear Commissioner,

Rejection of allegations concerning Watertime project

You have received a letter from M. Yves-Thibault de Silguy, a director of the Suez group, which contains a number of allegations concerning the Watertime project and the Public Services International Research Unit (PSIRU), of the University of Greenwich, which coordinates that project.

This is naturally a matter of great concern to us, and I am grateful for the opportunity to respond to the contents of the letter. I set out below a response to all the allegations, which also points out the numerous inaccuracies in the letter and its annexe.

I hope that you can read this response before replying to M. de Silguy, and I would be grateful if you can acknowledge receipt of it.

1 Basic factual errors

The letter contains three errors on matters of fact which are central to the claims of the letter.

Firstly, it refers in the third paragraph to the results on Arezzo, and claims that “the author of the Italian case study implies that it is the ‘EU’ which has commissioned the study and which criticises Suez for its management of water services” (“L’auteur de l’étude de cas pour l’Italie laisse entendre que c’est ‘l’Union européenne’ qui a commandité l’étude et qui rapproche à Suez sa gestion des services d’eau”). **This is untrue.** The report clearly states: “the views expressed in this report are those of the author and do not necessarily reflect the views of the European Commission, nor any of the listed stakeholders” (see http://www.watertime.net/docs/WP2/D11_Arezzo.doc, page 3).

Secondly, the letter makes reference to the PRINWASS project, and asserts that “This programme includes certain of the Watertime actors, notably PSIRU” (Annexe, section 2). **This is untrue.** PSIRU was not a partner in the PRINWASS project, as can be confirmed from the list of partners at http://ica.cordis.lu/search/index.cfm?fuseaction=proj.simpdocument&PJ_RCN=5265825&CFID=3569477&CFTOKEN=29848689)

Thirdly, the letter includes an annexe, of which the first section is headed ‘Watertime’. However, **most of the statements in that section do not relate to Watertime reports**, but to a powerpoint presentation which a PSIRU researcher was invited to give at the water research institute UNESCO-IHE (Delft) concerning PSIRU’s research in general.

2 Alleged claims that EC commissioned research

The letter claims that: “les auteurs du project Watertime font une utilisation abusive de leur lien avec la Commission européenne et du soutien de la Communauté européenne”. It also alleges that the author of the

Arezzo study implies that the work was commissioned by the EC, and that he claimed to be a researcher financed by the European Commission.

As stated above, a clear disclaimer is included in the Arezzo case study. More generally, the Watertime website includes a prominent statement that: “This website is the responsibility of [PSIRU](http://www.psiru.org), University of Greenwich. It should not be construed as representing the views of the European Commission, and the European Commission is not responsible for any use made of the data on this website.” (see http://www.watertime.net/wt_about_who.asp).

The letter offers only two references in justification of its allegation, neither of which concern publications by the Watertime project.

The letter refers to a headline in the *Corriere d'Arezzo*, which it misquotes as “Acqua: la UE boccia Arezzo”: the relevant headline was in fact “Acqua: Arezzo bocciata dall'Europa” (*Il Corriere* 21st June). The headline was misleading, and we have now written a joint letter with the Commission, correcting the misleading impression given by the headline. However, the error was made by the newspaper, not by Watertime or PSIRU, and there was no contact of any kind between the newspaper and any member of the Watertime team when that article was prepared. It is thus **incorrect** to suggest that the headline is evidence of a misleading claim by Watertime or PSIRU.

The second reference in the letter is a claim that “during a seminar in which SUEZ Environnement participated, the author had asserted that he was ‘a researcher paid by the EC’” (‘l’auteur avait affirmé être un chercheur rémunéré par la Commission européenne’). We assume that the event referred to was a mini-symposium on PPPs organised on 2nd June by UNESCO-IHE (Delft), a leading water institution. Emanuele Lobina was invited by UNESCO-IHE, at their expense, to make a series of presentations concerning water privatisation. The invitation was made in recognition of PSIRU’s general expertise in the area, not specifically the Watertime project. In the morning he was invited to give a series of lectures to a masters’ course, and in the afternoon he was invited to participate in a symposium on privatisation: his presentation (attached), did not mention the Watertime project at any stage. A speaker from SUEZ also participated in the debate, and, at one point, he claimed that Lobina was simply expressing the views of Public Services International, which funds some of the work of PSIRU. Lobina responded by stating that the presentation was of his own views and research, and that it was incorrect to suggest that he was expressing the views of PSI simply because PSI funds some of PSIRU’s research. He did not deny that PSIRU is funded by PSI, as suggested in the annexe - the front page of PSIRU’s website states very clearly that the core database of PSIRU is funded by PSI – but he expanded his argument by pointing out that PSIRU’s research is financed by a number of organisations, including not only PSI but also, in the case of the Watertime project, the EC – and on other projects by other organisations including the ILO, UNRISD and the UK Environment agency – in order to reinforce his point that the results of our research are the responsibility of researchers **not** of funders. To further reinforce the point, he added that it would be equally incorrect to dismiss the work of UNESCO-IHE researchers as propaganda for Suez, simply because UNESCO-IHE is partly funded by SUEZ. His remarks were thus making precisely the opposite point to that alleged in the letter: he was insisting that research results are the researcher’s responsibility, and should be discussed on their merits, and should **not** be attributed to the funders. M. de Silguy’s reference to this exchange is thus a misrepresentation of what was said.

3 Allegation that Watertime attacks Suez and is unscientific

M. de Silguy further alleges that the activities of Suez ‘are the subject of attacks by a group of researchers financed by the European Commission under the fifth framework research programme’ (“font l’objet d’attaques de la part d’un groupe de chercheurs financés par la Commission européenne dans le cadre du 5e programme-cadre de recherche.”) and that the first results in respect of Arezzo ‘show a clear bias in favour of remunicipalisation of urban water’ (“indiquent clairement un parti pris en faveur de la remunicipalisation des services d’eau de ville”).

The Watertime project is a scientific project whose design was evaluated by the established procedures of DG Research as attaining the threshold required for funding. It has thus far submitted 59 deliverables, including an analytical framework based on a wide-ranging literature review as well as reports on

international and national contexts and reports on the 29 case study cities themselves. It has successfully passed a mid-term assessment.

The case studies necessarily cover the events and decisions that have taken place, and the actors involved; they do not ‘attack’ any specific actors. In many cities, the actors include international water companies, including Veolia, SAUR, United Utilities, RWE, and Kelda as well as Suez. Research techniques included interviews with stakeholders, including the companies: the report on Rome, for example, includes a summary of an interview with the managing director of the local company (in which Suez holds a minority stake) (http://www.watertime.net/docs/WP2/D36_Rome.doc p. 16).

Watertime workshops have invited a range of speakers to contribute their views and experiences. A representative of the Suez group has been an invited speaker at one of the Watertime workshops, other companies have been invited to other workshops, and Suez are being invited to send a speaker to contribute to the final workshop.

The issues on which the reports focus vary, within the common framework of the project, according to the actual events in each city. Brief summaries of the case studies can be seen at http://www.watertime.net/wt_cs_cit_ncr.asp. The issue of ‘remunicipalisation’ is mentioned only once in the Arezzo report, on page 22, in a sentence which factually reports the views of one actor: it is not referred to in the conclusions (http://www.watertime.net/docs/WP2/D11_Arezzo.doc). The concept is not referred to in any other case study report, except that of Grenoble, where remunicipalisation was an actual historical event.

4 Alleged mistakes and omissions

The letter claims that “We have found numerous deliberate omissions or erroneous interpretations (see annexe) in the Watertime project” (“Or, nous avons relevé de nombreuses omissions intentionnelles ou des interprétations erronées (cf annexe), dans les projets de Watertime.” (page 2 para 1). As pointed out earlier, the annexe offers only two criticisms of ‘bullet points’ in a powerpoint presentation made to UNESCO-IHE on 2nd June in Delft, and contains no references to Watertime reports except for one point concerning the selection of one of the 29 case study cities.

Even in relation to the presentation, M. de Selguy does not succeed in supporting his extreme claim that “certaines des données présentées dans son exposé étaient grossièrement fausses”. Both these points concern issues of interpretation, and while it is interesting that Suez disagrees with the points made, their arguments do not establish that our data is false.

Concerning his challenge to our estimate of 70% of the world market held by Suez and Veolia, the PSIRU presentation he is criticising included a slide (attached) which presents graphically the data on which this is based, namely the sales revenue of these two companies compared with sales revenues of all companies active in the market, which is a normal definition of market share, using company data which is normally regarded as reliable.

Concerning his challenge of the reference to lack of competition in France, the relevant bullet point in the presentation observed a global lack of competition in water concessions, and added in brackets (‘global picture similar to France’). This is an accurate reference to the regime under which the vast majority of ‘gestion déléguée’ developed in France. Before the introduction of the loi Sapin in the 1990s, there was no requirement for competition and existing contracts were often simply renewed, as noted by the Cour des Comptes (http://www.ccomptes.fr/Cour-des-comptes/publications/rapports/eau/cdc72_3.htm): a fuller discussion of these points is set out in: Lobina E. “Problems with Private water Concessions: A Review of Experiences and Analysis of Dynamics”, in the International Journal of Water Resources Development Vol. 21, No.1, pp55-87, March 2005 (<http://journalonline.tandf.co.uk/openurl.asp?genre=article&eissn=1360-0648&volume=21&issue=1&spage=55>). As the annual reports by Engref note, the retendering under the loi Sapin since 1998 has not fundamentally changed the market shares of the three major groups, which were established under the previous non-competitive system. (http://www.engref.fr/labogea/doc_dsp2.html). The claim by M. de Silguy, that there was “une moyenne de 4,3 candidatures par consultation” in 2003, is a selective (and inaccurate) quotation from the Engref 2003 report. Engref’s own summary gives a rather

different picture, confirming that in over ¼ of cases there is no competition, while the average number of actual **bids** received is only 2.3: “En moyenne, une procédure suscite 4,7 candidatures et 2,3 offres. Mais dans 27% des cas, il n’y a qu’une seule offre. Ces proportions n’évoluent pas significativement depuis 1998.” (http://www.engref.fr/labogea/LS03_4P.pdf)

The final comment concerning Grenoble is the only one here of relevance to the Watertime project, where M. de Silguy points out that Grenoble – one of the case study cities in the Watertime project - is not typical of French cities, few of which have remunicipalised. It is quite true that Grenoble is not typical of French cities, but the Watertime reports make clear that the case studies were not selected as a representative sample: “The selection of the case studies was made not by sampling on the basis of indicators at a given point in time, but rather on the basis of known examples of decision-making processes where a variety of factors, constraints and objectives could be observed.” <http://www.watertime.net/Docs/WP1/AFannexes.zip> A number of other case study cities are also “untypical”, for example Mancomunidad del Sureste – an island conurbation which is untypical of Spanish cities in general; Cardiff – part of the only area in the UK to convert a private water company into a not for profit entity; Berlin – the only major city in Germany to have partly privatised its water.

The partners in the PRINWASS project should be invited to respond to Suez’ comments on that research project.

5 Commission funding gives credibility

M de Silguy suggests that ‘Commission funding gives these researchers a credibility and visibility which allows them to be cited by numerous other authors’ (“le financement de la Commission confère à ces chercheurs une crédibilité et une visibilité qui leur permettent, par la suite, d’être cités par de nombreux autres auteurs.”)

The professional standing and scientific quality of PSIRU, like other research institutes, depends on its record of publication and peer esteem. As M De Silguy is clearly aware, PSIRU’s work is widely cited – for example the recent World Bank paper “A Research Database on Infrastructure Economic Performance” (World Bank Policy Research Working Paper 3643, June 2005) cites 5 PSIRU reports amongst its sources. PSIRU researchers have published dozens of articles in peer-reviewed scientific journals, and are regularly invited to address academic conferences: Emanuele Lobina for example has been invited, in 2005 alone, to make presentations at ISS (the Hague), UCL (London), University of Paris 8 and the Stockholm International Water Symposium, as well as UNESCO-IHE (Delft), this year. This international reputation has been developed on the basis of PSIRU’s other work, but as the results of Watertime are disseminated we expect and hope that it will confirm and develop that reputation.

M. de Silguy’s letter emphasises the importance of the Commission following procedures to ensure that researchers are selected on the basis of their scientific record and their professionalism. The Commission evaluation procedures, using independent evaluators, do in fact do this. The Watertime team was evaluated in 2002 as meeting the required thresholds, and subsequent proposals in which PSIRU has been involved have also been consistently evaluated as meeting the required threshold for the excellence of the consortium.

6 Final remarks

I respectfully suggest that none of the allegations in the letter stand up to examination, and I hope that you will take account of this detailed rebuttal when you reply to M. de Silguy.

In addition, I would like to raise the question as to why Suez has written such a letter to a Commissioner. Some of the questions raised by Suez are legitimate matters for debate, for example concerning the level of competition in the sector, and there are a number of opportunities for such debates, in which Suez is frequently a participant – the symposium at UNESCO-IHE is one example, the Watertime workshops are another example. But debates on such issues are not a matter of policy to be referred to a Commissioner.

M. de Silguy’s letter comes perilously close to suggesting that the Commission should vet the content of projects that it funds, when he writes that “the Commission should be very vigilant in respect of the programmes which it finances” (“Il serait souhaitable que la Commission demeure très vigilante quant aux

programmes qu'elle finance"). It is a matter of public concern if M. de Silguy expects that the Commission might respond in such a way to his letter, especially as he is himself a distinguished former Commissioner.

Much research is funded by private or non-governmental organisations, such as Suez or PSI, but the EC has a distinctive role to fund research in the public interest, independent of these private or sectional interests. The allocation of the Commission's research budget must remain demonstrably free from outside pressures, to sustain the confidence of the research community and the public at large. For this reason, I am confident that your response to M. de Silguy will re-affirm that DG Research's evaluators and evaluation procedures will remain protected from outside pressure, and that neither the Commissioner nor his cabinet could permit themselves to seek to influence any evaluation.

Thank you for the opportunity to make this response. I remain at your disposal for any further information in relation to this matter.

Yours sincerely,

A handwritten signature in blue ink that reads "David Hall". The signature is written in a cursive style and is underlined with a single horizontal line.

David Hall
Co-ordinator, Watertime project
Director, PSIRU, University of Greenwich

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- ¹ Annual rent per square meter at the Rond Point Schuman starts at 285 euro, excluding service costs and tax.
- ² Gerard Payen held these positions in the French water giant between 1995 and 2002.
http://www.aquafed.org/pdf/Gerard_PAYEN_CV_2005-10-27.pdf
- ³ Suez, the world's largest water corporation, also has major activities in the field of energy as well as waste management.
- ⁴ http://www.aquafed.org/pdf/AquaFed_Presentation_Brochure_2005-10-27.pdf
- ⁵ <http://www.wbcsd.ch>
- ⁶ **"Water privatizers on the defensive"**, Olivier Hoedeman, March 2003,
<http://www.newint.org/features/kyoto/020603.htm>
- ⁷ The World Economic Forum (WEF), the neo-liberal think-tank behind the annual gathering of the world's economic and political elite in the Swiss ski resort Davos, entered the water debate in 2005 in defence of public-private partnerships. WEF (2005a) 'The Water Initiative'. Retrieved from the World Economic Forum website:
<http://www.weforum.org>.
- ⁸ "Anti-privatisation Wave Sinks Corporate Lobby Group", CEO Info Brief, March 2003,
<http://www.corporateeurope.org/water/infobrief5.htm>
- ⁹ See for instance "In the business of supply", Marc Laimé, Le Monde Diplomatique, [March 2005](#),
<http://mondediplo.com/2005/03/12private> . For analysis of Suez' lobbying on EU development policies, see for instance "Evian: Corporate Welfare or Water for All?" CEO Info Brief 6, May 2003.
<http://www.corporateeurope.org/water/infobrief6.htm>
- ¹⁰ Yves-Thibault de Silguy is Senior Executive Vice President of Suez, in charge of International Affairs and Institutional Relations. He is a former European Commissioner for Economic and Monetary Affairs.
- ¹¹ http://www.agbar.es/sala_de_prensa/notas_prensa_cuerpo.asp
- ¹² Sir Paul Lever, director of Thames Water, speaking at a Watertime workshop 25th November 2005 at University of Greenwich.
- ¹³ 'Code of Ethics' dated 11 July 2005 – completed three months before AquaFed was officially presented):
- ¹⁴ The code, for instance, states that AquaFed members "aim to comply with the relevant laws and regulations in the countries where they operate". This is clearly inadequate. Fulfilling legal obligations should be a given and codes of ethics are meant to go beyond what is already legally required.
- ¹⁵ "Water and Power: The French Connection", <http://www.publicintegrity.org/water/report.aspx?aid=47>
- ¹⁶ <http://www.conseil-concurrence.fr/user/avis.php?avis=05-D-58>
- ¹⁷ "Water and Power: The French Connection", <http://www.publicintegrity.org/water/report.aspx?aid=47>
- ¹⁸ According to his CV on the AquaFed website, Payen "has taken part in all recent intergovernmental conferences relating to water". Payen's CV describes his role during these years as "mobilize governments and International Financial Institutions with regards to water issues".
- ¹⁹ The Panel on "Financing Water for All", headed by former IMF director Michel Camdessus.
- ²⁰ Payen is the president of ASTEE's International Committee.
- ²¹ <http://www.wwf4europe.org>
- ²² "Draft European input to Ministerial Declaration" and "Draft European annex to Ministerial Declaration", in the download section of www.wwf4europe.org
- ²³ The document properties of these draft documents showed that they were written on Gerard Payen's computer.
- ²⁴ The NGOs also complained that "outreach to and inclusion of civil society has been very limited and the draft position papers therefore fail reflect the opinion of a broad range of European stakeholders". Email to Jeroen van der Sommen, European Regional Coordinator, January 20 2006. The letter was signed by a dozen of groups, including Friends of the Earth France, World Development Movement (UK), the European Federation of Public Service Union (EPSU), Corporate Europe Observatory (CEO), Transnational Institute (TNI) and Bread for the World, Germany.
- ²⁵ <http://europa.eu.int/comm/research/fp5/eag-names.html>
- ²⁶ <http://www.cordis.lu/fifth/src/an-en-3.htm>
- ²⁷ http://www.weknow-waternetwork.com/publish/cat_index_11.shtml
- ²⁸ <http://www.oieau.org/partenaires/fpotes.htm> . Suez and Veolia do not appear on the OIEAU list titled 'Our partners', but are listed as founder members "Membres-Partenaires - Autres Membres Fondateurs"
- ²⁹ SUEZ : Water for all Koïchiro Matsuura, Director- General of UNESCO, and Gérard Mestrallet, Chairman and CEO of the company SUEZ, have signed a cooperation agreement to improve access to water for all.
http://portal.unesco.org/en/ev.php@URL_ID=10541&URL_DO=DO_TOPIC&URL_SECTION=201.html
- ³⁰ See <http://www.ihe.nl/about/evol.htm>
- ³¹ Paris signature ceremony clinches deal for a new UNESCO-IHE Institute for Water Education in Netherlands 18-03-2003 <http://unesdoc.unesco.org/images/0013/001306/130669e.pdf> ; see also Report On The Unesco-IHE Institute For Water Education June 2003 <http://unesdoc.unesco.org/images/0013/001306/130669e.pdf>
- ³² SUEZ Co-operation in Education and Research in the field of Water and Sanitation Initiated. 17 July 2003
http://www.ihe.nl/vmp/articles/News/NEW-MoU_SUEZ.html
- ³³ <http://www.suez.com/devdurable/english/partenaires/unesco.php>

³⁴ SUEZ : Water for all Koïchiro Matsuura, Director- General of UNESCO, and Gérard Mestrallet, Chairman and CEO of the company SUEZ, have signed a cooperation agreement to improve access to water for all.

http://portal.unesco.org/en/ev.php@URL_ID=10541&URL_DO=DO_TOPIC&URL_SECTION=201.html

³⁵ Le Figaro 26 December 2002 Suez Tries To Win Popularity In Morocco (Suez Soigne Son Image De Marque A Casablanca)

³⁶ <http://www.iddri.org/iddri/html/apropos/fondddri.htm#organi>

³⁷ <http://www.waternunc.com/fr/vivenW1.htm>

³⁸ http://www.oieau.fr/academie/travail/gege/Plaquette%2029oct2002_ENG.pdf

³⁹ See http://www.dundee.ac.uk/law/iwlri/Conferences_Past.php : Patrick Spillaert, [Using best practices in water law to promote peace, sustainable development and poverty - Private Sector Participation](#)

⁴⁰ Veolia Environnement's growth in China 10/09/2003

<http://www.veoliaenvironnement.com/en/services/agir/index.htm?garde=/en/services/agir/journaliste/garde.asp>