

Public services and forced privatizations: Suez Eyes Taking Over the Water Services of Athens and Thessaloniki

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The Greek government and its creditors seem bent on imposing policy whose economic merits and democratic legitimacy seem rather dubious. A French company is especially active among the candidates for privatizing water in Athens and Thessaloniki: Suez Environnement.

As a condition for the Troika's financial assistance, Greece has been forced to implement a set of drastic austerity measures, including the privatization of several state-owned companies. The public water utilities of Athens and Thessaloniki are among the targets. Both are profitable companies, which no one there wishes to see pass into private hands. But the Greek government and its creditors seem bent on imposing policy whose economic merits and democratic legitimacy seem rather dubious. A French company is especially active among the candidates for privatizing water in Athens and Thessaloniki: Suez Environnement.

Right2Water, the European Citizen Initiative (ECI) aiming to promote 'right to water' and resist privatization, announced last November that they had collected enough signatures (1.9 million in the whole EU) to force the European institutions to take up the case. It was the first time that this new participative process, first introduced by the Treaty of Lisbon, was successfully carried out [1]. A public hearing was held in the European Parliament in February with stakeholders, and the Commission released its official response on March 19th. Although it has balked at taking any legislative action (as proposed in the ECI), it was forced to admit, grudgingly, that water is a "public good" and that local governments are ultimately responsible for providing this service. This response was judged much too weak by the organizations behind the ECI, [2] which slammed the Commission for its lack of democratic accountability.

Even as hundreds of thousands of European citizens openly rejected the privatization of water, it was nevertheless gaining momentum in many countries because of the sovereign debt crisis. In Spain, Portugal, and Italy, despite strong opposition from citizens and local politicians themselves, water privatization has come back on the agenda. [3] According to the unions and activists who oppose water privatization, even as European officials ostensibly claimed neutrality as to the issue of public vs. private water management, they took advantage of the financial crisis in order to promote privatization as a solution to the budget troubles that European states and municipalities were facing.

In Greece, the privatization of the water utilities of the two main Greek cities, Athens (EYDAP) and Thessaloniki (EYATH), was imposed as part of the 'shock therapy' deemed necessary to solve the country's financial woes. The Troika, which is supposed to represent the European Commission, the European Central Bank and the International Monetary Fund, operates without transparency or accountability. It has imposed a series of drastic conditions upon Greece. The international financial assistance, which is due to be paid in installments, is predicated upon these conditions, which include a reduction in the number of civil servants and the privatization of countless public assets and companies. Overall, these austerity measures have triggered a dramatic decrease in standard of living for Greeks as well as issues of access to basic services, especially healthcare. According to critics, represented in Thessaloniki by the SOS to NERO coalition, water privatization will mean a further regression: commercial interests (Greek as well as foreign) will benefit at the expense of Greek citizens and, ultimately, of democracy.

The Euro-crisis, a boon for Suez Environnement?

As for Suez Environnement, its executives openly celebrated the "opportunities" created up by the sovereign debt crisis in Southern Europe. Through its Spanish subsidiary Agbar, the French group has looked to extend its water and sanitation contracts in Barcelona and Catalonia, running into legal troubles. These hegemonic ambitions have brought about a conflict (unresolved to this day) between Agbar and the Generalitat of Catalonia, which ruled in favor of another consortium. Suez Environnement has also strengthened its ties to Acea, an Italian company in charge of water and electricity in Rome and involved in water and sanitation services in several cities in Latium and Tuscany. [4] Its goal? To progressively build a "third pillar" for the group in Italy, along its traditional French and Spanish markets. And too bad if, when consulted through referendum, Italians and Spaniards are massively opposed to water privatization.

In Greece, Suez has expressed interest in taking over the water services of Athens and Thessaloniki. [5] Both acquisitions seem all the more advantageous to the French group given that the Greek stock market crashed during the crisis. EYDAP and EYATH can therefore be bought for a small price relative to their actual financial health. The privatization process seems to be further along in Thessaloniki, even though privatization faces numerous political and regulatory obstacles in both cities. Recently still, the Greek government was saying that the transfer of EYATH from public to private hands could be finalised by March 2014, which seems unlikely.

After the initial tendering process, early 2013, there are two consortia still in the running to buy the Thessaloniki water utility from the Greek government. One is led by Suez Environnement, the other by Mekorot, the Israeli water company. Suez is considered by many to be the favorite to win the contract, because it already owns 5% of EYATH shares and seems better connected. It is looking to buy 51% of shares in EYATH and take over the firm's management, in association with the Greek construction firm Ellaktor, controlled by George Bobolas (whose group also owns several Greek media outlets).

So far, negotiations over the terms of sale of EYDAP and EYATH have taken place outside of public scrutiny, between the Greek government (through TAIPED, its special agency in charge of privatization), the Troika, and potential investors. This lack of transparency is explained in part by the fact that TAIPED, to which the Greek government has transferred all its shares and given full power to privatize, is no longer legally accountable to the Greek Parliament. At first, the privatization of the two water companies was supposed to be partial, but a vote in Parliament in late 2012 authorized the Greek state to sell all its stakes in EYDAP and EYATH. Crazy rumors have since flown around concerning the projected financial arrangements and the excessively favorable

conditions that could be given to investors. Going by the current market valuation of EYATH, the amount of the transaction should hover around €110 million (for 51% of shares).

Local and international resistance

The possibility of the privatization of water services in Thessaloniki, decided by the Greek government under pressure from Europe, has raised strong opposition in the city. The SOSTe to NERO coalition, initiated by unions, has organized the local campaigns and has succeeded in attracting international support to its cause. Several local mayors have expressed the desire to buy the 51% share in the company intended for investors themselves. A group of citizens and unions has even tried to subvert the process by participating in the tender as 'Initiative 136'. Initiative 136 calls for the transformation of EYATH into a cooperative owned by its 'customers': the citizens of Thessaloniki. Each citizen would have bought a non-transferrable share in the company for €136 per household. A call to international 'ethical investors' and social finance organizations was envisaged in order to help the citizens takeover the company. This 'citizen buyout' was also to trigger a more democratic and participatory management of the water service. Unfortunately, this original and heretical (by today's neoliberal standards) proposition was not accepted by TAIPED, which did not deign justify Initiative 136's exclusion from the process. [6]

Opponents to water privatization, united at national level under the banner of the Save Greek Water coalition, have denounced the support that French president Francois Hollande has voiced for Greek water privatization. This support is based on the fact that such deals could benefit French businesses, in particular Suez Environnement. In July 2013, dozens of organizations, unions, international social movements, and some fifty Members of the European Parliament called on the two consortia to withdraw their bids: 'We hope that businesses today do not base their business model on opportunism, and that they do not try to venture into places where they are clearly not welcome. There is an alternative to your bids, which are condemned by the workers at EYATH, the inhabitants of Thessaloniki, the municipalities, and by us. That is to keep the water public and maintain the same high quality of service in distribution.'

In spite of this, neither Suez nor Mekorot withdrew their bid. In response to our questions, Suez says that it "seems essential to us that our intervention be desired," but hides behind the Greek state: "We think that the decisions of the Greek state are not made without consulting local authorities." On January 15, 2014, TAIPED presented its official commercial proposition for the takeover of EYATH. The employees went on strike for the day, and the mayors of the local communities attended the event to voice their opposition. But it seems that in Greece, unfortunately, the voices of elected officials and citizens are drowned out by those of international creditors and business interests.

Having seen that official political channels do not give them any leverage in the decision making process, opponents have decided to organize a popular referendum on water privatization in Thessaloniki. This was inspired by similar votes in Italy, Spain, and Germany. The referendum will take place on May 18, at the same time as local elections. Under pressure from their constituents, several local mayors (including Thessaloniki's) have announced their intention to support the referendum, and unions have circulated a call for support at European level, soliciting financial contributions, as well as volunteers and observers to come help with the referendum. In Greece, as in most of Europe, people are overwhelmingly opposed to water privatization. A survey taken a few months ago in Thessaloniki reported that 76% of respondents had an unfavorable opinion of water privatization. Even if the referendum has no official weight, the organizers hope that a large turnout will be enough to dissuade Suez and Mekorot from following through with their plans. Suez Environnement has declined to answer our question whether it would withdraw its bid in case the

referendum showed an overwhelming majority against privatization.

Opponents of privatization are also pinning their hopes on the Greek Council of State, which is expected to issue a decision on the legality of the EYATH and EYDAP privatization process. Greek unions have initiated this legal procedure, arguing that the creation of TAIPED, which is unaccountable to the Greek Parliament, is unconstitutional, as is the transfer to this body of public shares in companies in charge of basic services. The publication of its decision by the Council of State has been awaited for several weeks. [7]

Mekorot has declared that it is waiting for the Council of State's decision before confirming its offer to buy EYATH. While several local sources had indicated to us that Suez, for its part, has not hesitated to place an official bid despite everything that was happening, the company denies this in its responses to our questions. In general, it seems that the Israeli firm has chosen to keep a low profile, in stark contrast to the activism of Suez. But despite the low profile in Thessaloniki and despite being a relative newcomer on the international water privatization scene, Mekorot has been harshly criticized by human rights activists for its policies in the Occupied Territories and its discriminatory treatment of Palestinians. [8]

Suez's Charm Offensive

To make its offer more tempting, the French firm seems not to have skimmed on promises. It announced in January, 2014, through Diane d'Arras, its Deputy director for Europe, no fewer than 250 million Euros investments over five years and the creation of between 2,000 and 4,000 jobs. [9] Intriguing numbers in light of the fact that EYATH's net annual profits are 'only' about 18 million euros. Critics highlight the fact that in order to make good on even a small fraction of such promises, all while paying dividends to the parent company and its shareholders, a steep increase in the price of water would be required. At a press conference where attendees were hand-picked, Diane d'Arras asked herself aloud if the current water rates in Thessaloniki were sufficient to maintain the viability of water services. But, according to unions, the rates have already tripled since 2001.

Diane d'Arras also tried to allay local concerns by stressing the need for better environment management, in particular for treating wastewater before dumping it into Thermaikos Bay, and reducing water losses. The French company also tried to reassure people that water rates would still be set by an 'independent authority'. Critics countered (at a distance) that numerous past examples of water privatization, notably in Argentina, have shown that such authorities, created in haste, rarely have the power and the skills to effectively control a more powerful private provider. [10] Anti-privatization activists have also pointed out the following irony: Suez Environnement is a heavily indebted business, which has had trouble turning a profit for years (because of the progressive loss of market shares and profitability of private water companies in France); and yet, it is seeking to acquire EYATH, which has been in good financial health for some time.

Privatization: does it even make economic sense?

First announced in 2009, the privatization of the water services of Thessaloniki and Athens has dragged on. This delay is an illustration of more general problems with the privatization program imposed on Greece. The logic behind the Troika's conditions is indeed highly questionable. Under the guise of helping the Greek state 'trim the fat', the Troika is forcing the government to sell off its most economically viable companies; these are obviously the only ones that are attractive to investors. The Troika's privatization program, despite leading to the sale of many assets already

(ports, land, mines, etc.) and angering Greek public opinion, has run into hurdles when it comes to the bigger “prizes”.

The two largest state companies to be sold were the gas company DEPA and the national lottery, OPAP. The sale of the former was suspended following the withdrawal of the leading potential buyer, the Russian firm Gazprom, which was apparently not offered favorable enough terms. The second sale went through, but has left in its wake a series of scandals and court cases involving civil servants and representatives of TAIPED. [11] During the summer of 2013, the director of TAIPED, Stelios Stavrides, was forced to resign when it came out that he had used the private jet of the businessman to whom the OPAP was sold. Greece has also sold its gas network to the state-owned gas company of Azerbaijan and seems to be getting ready to sell its electrical grid as well. Other assets or companies due to be privatised - airports, metallurgy or arm producers - are still in limbo.

Beyond the most publicized cases of Greek ‘treasures’ being sold to foreign interests, the Greek business world is often among the first to benefit from privatization. In the case of water, both bidding consortia are closely tied to politically well-connected Greek businesses. Mekorot presented its bid together with Terna, an energy, construction, and public works company and with businessman George Apostolopoulos. Suez’s partner, EllAktor, a media and construction group, is also involved in a controversial gold mining joint venture with a Canadian company, in the north of the country, with the blessing of the government.

In the case of EYATH and EYDAP, opponents are again denouncing the very favorable financial terms offered to potential bidders, just as in previous cases. TAIPED’s 61% stake in EYDAP could be sold for €350 million, which compares well to a net annual profit of €62 million out of a €353 million turnover in 2012, €43 million cash reserves, €881 million equity, and €1.2 billion owed to the company by the Greek government and various agencies and businesses. The ratio between the sale price of EYATH and its financial results are similar: about €110 million for a 51% stake, whereas the business posted a net income of €18 million in 2013, a turnover of €77 million, with €33 million cash reserves, and €135 million equity. [12]

But that may not be the worst of it. In January 2014, the Greek daily Eleftherotopia/Enet revealed that a project worth more than €100 million to renovate the water and sewage network of Thessaloniki was in the works. This is to take place before the system is handed over to the private buyer, which is really a gift to the latter. 75% of this project would be financed by the EU Cohesion Fund, and 25% by the Greek state. All in all, this works out to almost the price of the company itself! The Thessaloniki prosecutor ordered an investigation and demanded access to the draft of the contract prepared by TAIPED. This was denied him, as it was earlier denied to parliament members concerned about the terms of privatization. [13]

Commercial model

EYATH and EYDAP were transformed into commercial, public-listed companies in 2001, with the Greek state as the majority shareholder. [14] According to critics, this change brought with it the imposition of a commercial logic and of methods straight from the book of private sector management: on the one hand, staff and investments saw dramatic cuts; on the other hand, the shareholders - the Greek government and municipalities - were receiving substantial cash dividends. Suez Environnement took advantage of the situation and got its foot in the door by acquiring 5% of the shares in EYATH. The French group is also currently operating a biological water treatment unit in Thessaloniki, also as a joint venture with EllAktor.

According to unions, following its corporatisation, the staff of EYATH was cut from 700 to 235

people. This was effectuated by not replacing those workers who retired. The company now apparently has only eleven plumbers for a 2,300 kilometers network. Most of the work is done by sub-contractors, often for a higher price. The quality of service and the condition of the system have progressively gotten worse, despite the hike in water rates. This is no doubt what explains the profits posted by EYATH over the years; this also explains the interest of companies such as Suez.

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P.S.

* <http://www.tni.org/article/forced-privatizations-greece>

* This article was originally published in French (available on ESSF). Translation: Egor Lazebnik

Footnotes

[1] Other initiatives, such as the ECI to protect of the human embryo and the ECI on vivisection, are also said to have collected the required number of signatures.

[2] Among which the European Federation of Public Services (EPSU) and the European Water Movement.

[3] Ireland has escaped straight-forward privatization, but the Troika has imposed a merger of existing local public water utilities into a single, corporatized utility. The process has resulted in financial mismanagement and juicy “consulting” contracts for some private firms.

[4] The municipality of Rome is the majority shareholder, with 51% ownership.

[5] We contacted Suez Environnement during the preparation of this article, but it chose to respond only after its initial publication. The article has been updated accordingly. The full version of Suez’ responses can be read here (in French): http://multinationales.org/IMG/pdf/reponses_suez_thessalonique.pdf.

[6] Initiative 136 has initiated a court action against TAIPED for unjustified exclusion. For a deeper and more thorough analysis of Initiative 136, read on ESSF (article 31801), [Resist and transform : the struggle for water and the challenge to austerity in Greece..](#)

[7] At the end of 2013, leaks to the Greek press seemed to indicate that the decision was favorable to the unions - which might explain the delay.

[8] It has very recently been the target of an ‘international week of action’ supported by the BDS campaign and Friends of the Earth international. See: <http://stopmekorot.org>.

[9] Suez has not wished to confirm these numbers in its responses to us, and it’s unclear where they come from. Overestimating the investments necessary to maintain and improve the water system can be a way for private water companies to convince authorities to enter into ‘public private partnerships’.

[10] The anti-privatization activists' response to Diane d'Arras is available here.:
<http://www.savegreekwater.org/?p=3846>

[11] Read here:

http://www.ft.com/intl/cms/s/5828c7d6-8cf6-11e3-ad57-00144feab7de,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F5828c7d6-8cf6-11e3-ad57-00144feab7de.html%3Fsiteedition%3Dintl&siteedition=intl&_i_referer=http%3A%2F%2Fmultinationales.org%2FPrivatisations-forcees-en-Grece#axzz30sa86fmk

and here:

http://www.ft.com/intl/cms/s/199b1fea-0827-11e3-badc-00144feabdc0,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F199b1fea-0827-11e3-badc-00144feabdc0.html%3Fsiteedition%3Dintl&siteedition=intl&_i_referer=http%3A%2F%2Fmultinationales.org%2FPrivatisations-forcees-en-Grece#axzz30sa86fmk

[12] In answer to our questions, Suez admits that EYATH is not running a deficit, but argues that its nominal profits are actually used to cover the non-payments of public and private customers, and not to invest in and maintain the water system. According to the company, putting in place a 'public private partnership' will free the Greek government from having to make the necessary investments itself.

[13] For more details on this affair, read here: <http://www.savegreekwater.org/?p=3600>.

[14] EYDAP and EYATH, in Athens and Thessaloniki respectively, are for the time being the only two Greek water services to have 'corporatised'. The other Greek municipalities are still served by local public networks. But the privatization of the water services of Greece's two main cities could be used as a vehicle to expand private management to all of Greece. Already, EYDAP has established a subsidiary called "Island EYDAP", which is meant to service the Greek islands. The Athenian water service also already has agreements with many municipalities in Continental Greece to manage different aspects of the service on their behalf.