What is Veolia?

According to a story broken by *the Riverfront Times*, St. Louis city lawyers have been negotiating a contract with Veolia Water North America to guide cost-cutting. Veolia Water is a major subsidiary of Veolia Environnement, a Paris-based multinational corporation and the largest water privatization business in the world. Veolia is infamous for:

- Failure to make good on promised improvements
- Anti-labor practices
- Privatizing public resources
- Irresponsible to disastrous environmental practices
- Mismanagement
- Corruption, bribery, embezzlement, and fraud
- Supporting and profiting from segregation and discrimination in Palestine

Worldwide, consumers report that Veolia consistently charges high rates, provides poor service, causes staff turnover, discourages water conservation, and fails to implement promised improvements. Its history reveals consistent prioritization of private profit at the expense of the environment and public welfare.

Unless otherwise indicated, the following is based on extensive research and documentation on Veolia’s practices by Water for All, Polaris Institute, Global Exchange, Novato Friends of Locally Operated Wastewater, Public Citizen, Public Water Works, and Food & Water Watch (here, here, here, here).

What happened in Indianapolis?

In its proposal to the St. Louis Water Division, Veolia extensively references its work in Indianapolis as a successful model that could inform Veolia’s guidance in St. Louis. If Indianapolis is any indication of Veolia’s practices, then our city would do well to steer clear. Veolia claims that the contract was completed and focused on building a collaborative environment with all of the project stakeholders (union, government and the community). In fact the company’s 20-year contract with Indianapolis was terminated by the city less than halfway through, by which time the following had ensued:

- Non-union employees claimed that the company cut retirement plans, health care and other benefits, costing the workers more than $50 million over 25 years. Hundreds of employees, many organized under a strong union, found themselves in a pitched battle with the company to preserve benefits and hold Veolia to its promises.
Veolia was sued for **breaking state contract law**, and for **overcharging** 250,000 residents.

Because the company lacked proper safeguards, a typo by an employee caused a boil-water alert for more than a million people, closing local businesses and canceling school for 40,000 students.

An independent review uncovered **lax oversight** of the city’s contract with Veolia.

**Consumer complaints** more than doubled in the first 10 months of the contract.

In a study of 100 large U.S. cities, Environmental Working Group ranked Indianapolis drinking water quality #90 (i.e. 11th-worst overall). St. Louis ranks #9 -- among the best in the country.

In 2005, a federal grand jury subpoenaed four Veolia Indianapolis employees as part of an investigation into allegations that the utility **falsified water quality reports**. The probe began amid accusations by Indianapolis council members that the company had **cut back on staffing, water testing, treatment chemicals and maintenance**. Though Veolia was never charged, the corporation sustained multimillion-dollar losses and dug its way out of this hole by finagling concessions, including a 2007 contract amendment shifting at least $144 million in costs from Veolia to the city. Ignoring public outcry from consumers and state officials, the city then tried to raise rates by 35% to pay for these additional expenses and more expensive capital improvement projects.

In 2010, with infrastructure needs mounting and Veolia demanding more than the city could afford, Indianapolis **canceled the contract** more than 10 years early, for which they were **forced to pay Veolia** an additional $29 million. The nonprofit Citizens Energy Group took over, positioned to save the city more money than multinational Veolia was ever able to.

If Veolia gives Indianapolis as an example of a success story, what could a failure possibly look like?

**New Orleans -- an Environmental Disaster, and Other Cities**

In 2001 in New Orleans, an electrical fire at a sewer treatment plant operated by Veolia caused operators to divert raw sewage into the Mississippi River for two hours. In 2001 and 2002, the plant **released sewage into the river a total of 50 times**, often violating water quality standards and resulting in more than $107,000 in fines. The city’s Sewerage and Water Board Director and staff made numerous, repeated and documented complaints about Veolia reducing staff to inadequate levels, neglecting preventive maintenance, failing to notify city officials of environmental violations, and other problems. Veolia has a long track record of failing to communicate with New Orleans in connection with the contract. In 2002, the **board rejected Veolia’s bid** for a new water/wastewater contract following public outrage.

In Richmond, CA in 2006, the city and Veolia were sued for **dumping more than 17 million gallons of sewage** into tributaries that empty into the San Francisco Bay. The Baykeeper watchdog group said Richmond had **one of the highest spill rates** in the state. The city had given a 20-year, $70 million contract to Veolia, which promised to cut costs and develop and implement an improvement plan for the sewer and storm water systems. By the time of the lawsuit four years later, the company **had not even finished designing the plan, much less begun the renovations**. Richmond settled the lawsuit out of court by agreeing to pay for multimillion-dollar improvements to reduce sewer spills. In addition, Richmond **taxpayers had to shell out $500,000 annually** for years to compensate residents and
businesses for property damaged. Even after the lawsuits, the problem continues: Veolia’s Richmond plant had 22 spills dumping more than 2 million gallons of sewage during the first two months of 2008.

Lynn, MA ended a wastewater overflow plant contract with Veolia because the company failed to stay adequately bonded for the project. While company officials lauded the continuing contracts with water and wastewater treatment plants in the community, the town rapped the company for cutting costs by refusing to properly treat wastewater with chemicals. As a result, the town was blanketed in a stench.

Angleton, TX terminated a Veolia contract for non-performance and took the company to court, charging that it breached its contract by failing to maintain adequate staffing levels, not submitting capital project reports and charging improper expenses to the maintenance and repair tab picked up by the city.

In Atlanta, Veolia tried to maximize revenue simply by slashing the work force in half, contributing to boil-water orders, maintenance backlogs and other issue that ultimately led to dissolution of the contract.

In Sauget, IL, right across the river, a related Veolia subsidiary operated a hazardous waste incinerator for over 10 years without a clean air permit. In 2005, “the owners agreed to pay $150,000 for alleged air pollution violations.” As of 2008, the facility had been fined more than $3 million,” mostly related to small explosions and releasing toxic chemicals, including carcinogenic dioxins, into the air.

For more examples, see: Burlingame, CA; Wilmington, DE; Port Arthur, TX; Cranston, RI; and others.

**Bribery, Corruption, Embezzlement, Fraud**

Corruption, bribery, embezzlement, and fraud appear to part of Veolia’s corporate culture. The president of a Veolia subsidiary was convicted of bribing a New Orleans sewer board member to support renewal of its contract (see background above) in 2002. The same year, the mayor of Bridgeport, CT was convicted on 16 counts including taking kickbacks, bribes and extortion along with 8 other defendants a contract proposal from Veolia (then called Vivendi). A forensic audit in Rockland, MA led to contract termination amid embezzlement charges involving a sewer department official and a local company executive charged with embezzling more than US$300,000. Veolia disclosed accounting fraud in the U.S. from 2007-2010 amounting to $120 million. The scandal took place in their Gulf of Mexico Marine Services unit. These are small examples of a pattern of Veolia replicated around the country and world.

Would this contract privatize the city’s water?

No -- not yet. But the contract would position Veolia -- which specializes in water privatization -- as a “brain-trust” of management expertise in reducing costs. Many view Veolia and focusing on privatizing services through long-term monopoly contracts rather than through outright ownership. These types of “advisory” roles can serve as a backdoor avenue toward eventually privatizing municipal operations.

**Supporting Apartheid and Segregation in Israel/Palestine**
Veolia is involved in Israel’s **systematic ethnic discrimination** against the Palestinians in many ways:

An Israeli subsidiary, Veolia Water - Israel, operates a wastewater treatment plant located in an illegal Jewish-only settlement called Modiin Ilit, built on Palestinian land in the West Bank. The owners of the land on which this settlement was built have been **violently driven out**. Two unarmed Palestinians from the Palestinian village on which Modiin Ilit was built, have been **killed as they protested nonviolently** against the ongoing confiscation of their land and resources. Veolia continues to service the settlement.

An Israeli subsidiary of Veolia Transdev, Connex - Israel, operates buses on **segregated roads** through the occupied West Bank, including two bus lines that use road 443, which is built partially on confiscated land with portions closed entirely to Palestinians. A separate but unequal Palestinian road system is made up of low grade roads cut by checkpoints and physical barriers restricting Palestinian freedom of movement. Last year, **Palestinian Freedom Riders** attempted to board buses operating on their own land and were violently removed and arrested. Veolia is profiting from segregation and discrimination.

Another Israeli subsidiary, Veolia Environmental Services - Israel, supervises, consults for, and operates the Tovlan Landfill in the occupied Jordan Valley, collecting refuse from illegal settlements. Israel renders it almost impossible for Palestinians in the Jordan Valley to gain permits to build homes, toilets, wells, animal pens, or other vital infrastructure for local communities, which has forced almost all Palestinian families out, with those remaining living in dire conditions. Some are left with no alternative but to work on settlements that have taken their families’ land, for **pay far below the minimum wage, unable to take bathroom breaks, and denied any rights to unionize**. Veolia takes captured Palestinian land and natural resources to service the settlements **exploiting or driving out Palestinians**.

UN Special Rapporteur Richard Falk recently **recommended** that Veolia “should be boycotted, until they bring their operations into line with international human rights and humanitarian law and standards.” Veolia’s extensive profiting from Israel’s illegal practices have provoked global outcry, **costing Veolia more than $16 billion in lost contracts to date**. Recently, the Friends Fiduciary Corporation, which handles investments for hundreds of U.S. Quaker institutions, also divested from Veolia.

**Veolia already in Financial Trouble**

With public opinion shifting negatively around the world, Veolia is paying a price. After a 25-year contract, Veolia’s **home city of Paris declined to renew** its contract in 2009. Cities around the world have done the same. Veolia’s **profit margin has plummeted** since 2008 and the company **lost more than half its market value** in 2011. Veolia’s CEO pledged to sell $1.8 billion of assets and to stop operations in at least 37 countries. In September 2012, **Veolia’s debt** stood at **more than $19.7 billion**.

Now, Veolia is trying to bring its risky and immoral business to our backyard. St. Louis tax dollars and water payments should not go toward supporting environmental destruction, unfair labor practices, corruption, and human rights abuses.

Let’s call on the Board of Estimate & Appointment not to approve this public contract with Veolia.