

Veolia

Company Background Report

2013

Veolia, which is based in France, has been criticized worldwide for skirting environmental regulations, labor abuses, mismanagement, bribery, corruption, and failure to make good on promised improvements." In North America, Veolia operates more than 200 waste water facilities - many of them for more than 30 years.

Key Facts and Figures

Veolia Environment

Headquarters: Paris, France

CEO: Antoine Frérot

Revenues: \$46.5 billion

Net profit : \$776 million

Population served: 95 million with drinking water and 68 million with sewer service worldwide

Veolia Water North America

Local headquarters: Chicago, Ill.

Population served: 14 million people

Revenues: \$917 million

Viola's Hidden Costs

Indianapolis

Veolia claims that a contract with Indianapolis was completed by focusing on a collaborative environment with all of the project stakeholders. 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).

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.

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. 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 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.
- 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, 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. In total, the facility was fined more than \$3 million, mostly related to small explosions and releasing toxic chemicals, including carcinogenic dioxins, into the air.

Other Issues

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 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.

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.