

**COMPLETED ACQUISITION OF SUEZ S.A.
BY VEOLIA ENVIRONNEMENT S.A.**

**RESPONSE BY VEOLIA TO THE CMA's
NOTICE OF POSSIBLE REMEDIES**

NON-CONFIDENTIAL VERSION

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Veolia/Suez Merger Inquiry
Veolia's Response to Notice of Possible Remedies

1. This Response is submitted to the Competition and Markets Authority (the "CMA") on behalf of Veolia Environnement S.A. ("Veolia") in relation to the CMA's investigation into Veolia's acquisition of Suez S.A. ("Suez", together with Veolia the "Parties").¹ It responds to the CMA's Notice of Possible Remedies ("NPR") published on Thursday 19 May 2022.

I. Executive Summary

2. Veolia strongly disagrees with the CMA's preliminary conclusions set out in the Provisional Findings Report ("PFs"). The merger of Veolia and Suez in the UK will bring benefits to UK consumers; it will not result in a substantial lessening of competition ("SLC") in any UK market. Veolia will submit a separate response to the PFs explaining why. This Response is submitted without prejudice to Veolia's position that the Transaction will not give rise to any SLCs.

Veolia's Proposed Divestment Remedy

3. Should the CMA's Final Report confirm its provisional SLC findings, Veolia proposes a significant divestment remedy that would comprehensively address the CMA's provisional SLC findings in each of the three areas identified by the CMA: a number of waste management markets, the operation and maintenance ("O&M") of water and wastewater treatment facilities for industrial customers, and mobile water services. This package would include:
 - All of Suez's UK waste business;
 - All of Veolia's UK industrial water and wastewater O&M business; and
 - Veolia's UK and EEA Mobile Water Services business.
4. This package would be attractive to purchasers and comprehensively address the CMA's provisional SLCs. Veolia's proposed waste remedy involves a complete divestment of Suez's waste management activities in the UK, which the CMA described in the NPR as an effective remedy with a very low risk profile. It would allow the creation or strengthening of a significant competitor in the UK waste management sector, and would reconstitute the competitive constraint that the CMA believes would be lost as a result of the transaction.
5. Veolia's proposed water remedies would also fully eliminate the overlap between Veolia and Suez in water/wastewater O&M for industrial customers and mobile water services. It involves the complete divestment of Veolia's activities in these markets, allowing the creation or strengthening of a new competitor in each of these markets that would replicate the constraints that Veolia currently imposes on WTS UK. These divestment remedies are described below.

¹ This submission contains confidential business secrets that are protected from disclosure under Part 9 of the Enterprise Act 2002 ("EA02").

Waste markets

6. The CMA's initial view on waste remedies is that *“a full divestiture of the entire UK Waste Business of either Veolia or Suez represents the only effective remedy that could address the Provisional Waste SLCs and their resulting adverse effects, and that the risks in terms of its effectiveness (in relation to composition, purchaser and asset risks) are very low.”* While Veolia disagrees with the CMA's provisional SLC findings, Veolia agrees that the divestment of all of Suez's UK waste business would be an effective solution to the provisional SLCs outlined in the PFs, and simple to implement. It would:
- fully address the provisional concerns outlined in the PFs;
 - recreate the third largest waste management supplier in the UK, with revenues in the region of £1 billion and a wide range of activities across the country;
 - ensure that the competitive constraint exerted by Suez across all markets in which an SLC has been identified continues;
 - be viable as a standalone business, led by Suez's experienced management team;
 - allow any purchaser to be an effective and credible competitor in the UK waste services markets, providing them with Suez's complete portfolio of customer contracts, waste management infrastructure, dedicated management, operational staff and support functions;
 - be attractive to buyers; and
 - be straightforward to implement by divesting a single holding company of the Suez UK waste business.
7. As explained more fully in this Response, a full divestment of Suez's UK waste business would include:
- All of Suez's UK municipal collections business;
 - All of Suez's PPP/PFI contracts, which (i) cover a range of waste management activities (including incineration, recycling, collections, *etc.*) and (ii) have a broad footprint across the country;
 - Suez's complete portfolio of waste-management infrastructure including ERFs, MRFs, waste transfer stations, composting facilities, HWRCs, an anaerobic digestion plant, a mechanical biological treatment plant, landfill sites, and all other waste management sites such as RDF, SRF and wood processing plants;
 - All of Suez's C&I collections business, including all national accounts contracts; and

- All management, staff and support functions required for the divested business to operate in the UK waste markets.

Water markets

8. The PFs identified SLCs in relation to two specific markets: the supply of O&M services for water and wastewater treatment facilities for industrial customers in the UK (“Industrial Water O&M”) and the supply of mobile water services (“MWS”) in the UK.
9. **Industrial Water O&M.** While Veolia disagrees with the CMA’s provisional SLC finding, Veolia’s proposed remedy for the divestiture of Veolia’s UK business for Industrial Water O&M (the “UK O&M Water Divestment Business”) would be fully effective in eliminating the SLC outlined in the PFs, proportionate to the CMA’s concerns, and simple to implement.
 - It fully addresses the provisional concerns outlined in the PFs, eliminating any overlap between the Parties in Industrial Water O&M.
 - It allows any purchaser to be an effective and credible competitor in the UK Industrial Water O&M market on an on-going basis. It would provide them with all of Veolia’s contracts for Industrial Water O&M, current development opportunities, staff (including operational onsite staff, contract managers, technical support and the bidding team), experienced management, tangible (operational) assets, site monitoring systems, site permit and, if required by the purchaser, back office support (through a transitional services agreement (“TSA”) for a short period of time until the purchaser has equivalent support in place).
 - It is viable as a standalone business; it would include all personnel currently involved in carrying out Veolia’s Industrial Water O&M contracts in the UK, together with an experienced manager and staff necessary to compete for new contracts.
 - It is attractive to buyers, particularly to operators with experience in the water or wider industrial services sector. It would allow these buyers to enter or expand their presence in the UK Industrial Water O&M market.
 - It is straightforward to implement. Veolia can identify the relevant assets that will form part of the divestiture package and separate them from the rest of the Veolia UK&I water business in a standalone legal entity. The divestment would entail a straightforward sale of shares, which would result in the automatic transfer of the contracts, staff and related assets. [REDACTED].
10. The NPR indicates that the CMA is still considering a divestment of a broader package that goes beyond the UK operations of either Suez or Veolia that engage in the supply of Industrial Water O&M. Veolia’s VWT business is not active in Industrial Water O&M in the UK so a divestment involving any part of VWT would be irrelevant when considering how to address the SLC provisionally identified by the CMA in Industrial Water O&M. A broader divestment package would, in any

event, be unreasonable and disproportionate since, as explained in this Response, a less onerous remedy is available that would be fully effective in addressing the SLC in the Industrial Water O&M market.

11. The CMA is also considering whether other parts of Veolia's UK Industrial Water and Energy ("IWE") business ought to be included in any divestment package. This would be far more complex, and may be less attractive to purchasers. The IWE division comprises a number of disparate activities: energy services; decommissioning, demolition and land remediation; municipal water services (under PFI contracts); and Ministry of Defence work. Not only do these activities have no connection with the provisional SLC (Suez does not and would not serve these contract types, there is no overlap), they would be complicated to divest, and unattractive to purchasers most interested in acquiring and operating Veolia's UK Industrial Water O&M business. A divestment of any of these activities would also be hugely disproportionate and unreasonable. Veolia has therefore been careful to propose divesting all of its industrial water and wastewater O&M activities (and not its unrelated activities), to ensure the business is sold in a way that will attract purchasers with the greatest interest in the Industrial Water O&M market.
12. The NPR also refers to the possibility of a global divestiture of the Suez WTS business. This would be extraordinarily disproportionate, given that: (a) the overlap between the Parties in Industrial Water O&M in the UK is around £[REDACTED] in revenue and confined to the UK, compared with Suez WTS's global revenues of around £2.5 billion (the majority being in the US); and (b) the WTS UK Industrial Water O&M business is a standalone business with revenues of less than £[REDACTED] in a separate legal entity from the remainder of WTS's activities and so would be a considerably less onerous remedy on the Suez WTS side that fully addressed the SLC.
13. **Mobile Water Services ("MWS").** Veolia has committed to sell its MWS activities in the UK and European Economic Area ("EEA") (the "Veolia European MWS Divestment Business") pursuant to commitments to the European Commission ("EC"). The CMA recognises this in its NPR. This will be fully effective in eliminating the relevant SLC outlined in the PFs, proportionate to the CMA's concerns and simple to implement.
 - It fully addresses the provisional concerns outlined in the PFs, as it includes the divestment of all of Veolia's MWS activities in the UK.
 - It allows the purchaser to be an effective and credible competitor in the UK mobile water services market. The purchaser will gain Veolia's entire MWS business in the UK and in the EEA. .
 - It is viable as a standalone business and would come with all personnel currently involved in VWT's UK and EEA MWS business. The Veolia European MWS Divestment Business has no links to Veolia's remaining MWS business which is organised by regions (Americas, Asia-Pacific, and Middle-East).
 - It is attractive to buyers.

- It is straightforward to implement.
14. Veolia has already entered into a put-option agreement (“POA”) giving it the right to sell the Veolia European MWS Divestment Business to Saur (Nijhuis), an experienced player in the water sector, which already has a small presence in MWS in the UK via its subsidiary Nijhuis Saur Industries, as well as an industrial water O&M business in the UK. Please see Confidential Annex 1 for an overview of Saur’s industrial water activities. The put-option agreement covers all of Veolia’s MWS activities in the UK, including Veolia’s Solys workshop, which includes the design and manufacturing of mobile and not mobile technological solutions for Veolia’s MWS activities, and the related supply chain for spare parts. This demonstrates that the proposed divestment package is attractive, viable, and that the divestment of the Veolia European MWS Divestment Business will be straightforward to implement.
15. In circumstances where a far less intrusive remedy that would fully address the CMA’s provisional concerns is available, requiring any broader divestment would be disproportionate.
16. In addition, given the anticipated disposal of the Veolia European MWS Divestment Business pursuant to the EC commitments, the divestiture of any part of Suez’s WTS business that included its UK MWS business could leave Veolia without any UK MWS business at all which would be both unreasonable and disproportionate.
17. **Other considerations relating to water markets.** The CMA indicates in its NPR that it is also considering in the context of water remedies the possible need for an upfront buyer or a “crown jewels” remedy as well as any risks associated with a mix-and-match remedy.
- **Up-front buyer.** There are a large number of credible purchasers who would be interested in acquiring the UK Industrial Water O&M Business and would be capable of competing effectively on an ongoing basis. Veolia has already signed a POA with Saur (Nijhaus) in relation to the Veolia European MWS Divestment Business, as explained above. An upfront buyer requirement would therefore be unnecessary and disproportionate.
 - **Crown jewels.** There is no reason for the CMA to doubt the marketability of Veolia’s UK Industrial Water O&M Business or the Veolia European MWS Divestment Business, for which a put option has already been signed. There are also no material asset risks. Any “crown jewels” remedy would therefore be unnecessary and disproportionate.
 - **Mix-and-match remedy.** The effective and proportionate remedy to each of the water SLCs, as explained above, would comprise in each instance Veolia’s business: Veolia’s UK Industrial Water O&M business and the Veolia European MWS Divestment Business. There is therefore no basis for any concerns regarding a mix-and-match remedy to arise.

18. [REDACTED] As described below, the WTS UK O&M business is, for historic reasons, entirely standalone and held by a separate legal entity from the rest of the global WTS business.
19. Should the CMA decide to require the divestment of the WTS UK Industrial Water O&M business, this could easily be combined with the Veolia European MWS Divestment Business and sold to a single purchaser.² There is no “mix-and-match” concern from divesting a Veolia water business and a Suez water business. These businesses operate independently today: there is no sense in which the remedy would involve carving out and then combining assets from different parties. The Veolia MWS business is a standalone business within VWT, and the WTS UK O&M Business is a standalone business within WTS.
20. The remainder of this response is structured as follows. **Section II** sets out the legal framework for the imposition of remedies. Veolia’s proposed remedies are described in **Sections III** (waste markets) and **Section IV** (water markets). **Section V** explains how Veolia will ensure an effective divestiture process.

² As explained below, the divestment of the WTS UK Industrial Water O&M business would engage [REDACTED]

II. The Legal Framework

21. Where the CMA concludes at phase 2 that a merger has resulted in or will result in an SLC, it must decide whether and what action should be taken to remedy, mitigate or prevent the SLC or any adverse effect resulting from the SLC.³
22. The CMA is required when considering remedies to have particular regard to “*the need to achieve as comprehensive a solution as is reasonable and practicable to the SLC and any adverse effects resulting from it.*”⁴ In this assessment, the CMA will seek a remedy that is effective in addressing the SLCs and proportionate, and may have regard to any relevant customer benefits arising from the merger.⁵ As set out at paragraph 27 of the NPR, in defining the scope of the remedy to the provisional SLCs it has provisionally found, the CMA will “*seek to identify the smallest viable, stand-alone business that can compete successfully on an ongoing basis and that includes all the relevant operations pertinent to the area of competitive overlap.*”
23. **Effectiveness.** The CMA will take into account the following principal considerations:
- **Impact on the SLC.** The CMA will consider what remedies would be effective in fully addressing the SLC and the resulting adverse effects.
 - **Duration and timing.** The CMA will seek a remedy that can be implemented quickly and will address the SLC throughout its duration.
 - **Practicality.** The CMA will seek a remedy that is capable of effective implementation, monitoring and enforcement.
 - **Risk profile.** The CMA will seek a remedy that has a high degree of certainty of achieving its intended effect.
24. **Proportionality.** The CMA will “*seek to ensure that no remedy is disproportionate to the SLC and its adverse effects.*”⁶
25. The Competition Appeal Tribunal has explained that the concept of proportionality in the circumstances of a divestment order follows the following four-stage test:

*“the measure: (1) must be effective to achieve the legitimate aim in question (appropriate), (2) must be no more onerous than is required to achieve that aim (necessary), (3) must be the least onerous, if there is a choice of equally effective measures, and (4) in any event must not produce adverse effects which are disproportionate to the aim pursued.”*⁷

³ Section 35 EA02.

⁴ Section 35(4) EA02.

⁵ CMA Merger Remedies, CMA87, 13 December 2018, para. 3.4.

⁶ CMA87, para. 3.6.

⁷ *Ryanair v CC* [2014] CAT 3, paras. 47, 186, referring to *Tesco plc v CC* [2009] CAT 6, para. 137. The CMA is also obliged to carry out its functions in a way that is compatible with the protection of property afforded by Article 1 of Protocol 1 to the ECHR.

26. Following this test, where the CMA identifies one or more effective remedies, it must seek the one that imposes the least cost or is the least intrusive.⁸
27. This Response proposes a divestment remedy package that would comprehensively address the CMA's provisional SLC findings and that could readily be implemented. It explains how the proposed divestments could be structured in a way that allows the CMA to be confident that no relevant risks would arise. It also identifies a number of suitable purchasers. Under the legal framework summarised above, Veolia's proposal is an effective remedy package that is a comprehensive solution to the SLCs identified by the CMA.

⁸ See, e.g., *Hunter Douglas / 247 Home Furnishings*, CMA Final Report, 14 September 2020, where the CMA found that divestiture of both 100% or 51% of 247 would effectively address the SLC. While full divestiture would result in less monitoring costs, the CMA concluded that partial divestiture represented the least onerous effective remedy.

III. Waste Remedies

A. Veolia's Proposed Divestment Remedy

28. While Veolia disagrees with the CMA's provisional SLC findings, should the CMA confirm these findings in its Final Report Veolia proposes to divest the entirety of the Suez UK waste business (the "Waste Divestment Business"). Veolia would sell shares in a holding company of the Suez UK waste business. As a result the whole Suez UK waste business would transfer to the purchaser.

29. The Waste Divestment Business would represent a large and attractive standalone business, including, in broad terms:

30. **Contracts.**

- All PPP/PFI contracts, including all waste management infrastructure operated under these contracts.
- All municipal collection contracts.
- All treatment/disposal contracts.
- All C&I contracts.

31. **Waste management infrastructure.**

- All municipal waste transfer stations.
- All local authority-owned ERFs.
- All fuel supply agreements ("FSAs") at third-party ERFs.
- All local authority-owned MRFs.
- All merchant MRFs.
- All composting facilities.
- All HWRCs.
- All landfill sites.
- All anaerobic digestion plants.
- All mechanical biological treatment plants.
- All C&I sites and assets.
- All other waste management activities carried out by Suez's UK business, including at wood processing plants, SRF and street sweeping sites.

32. **All current waste infrastructure development projects**, including the current bid for the [REDACTED] development project and the [REDACTED] development site with planning permission [REDACTED].
33. **R&D.** The Suez UK Innovation Hub, which leads local projects directly linked to the UK waste business.
34. **IP.** The [REDACTED] Suez patent related to the UK non-hazardous waste business and, at the option of the purchaser, the Veolia “Onyx” brand in the UK, which was the principal brand used for Veolia’s waste management activities between 1989 and 2005.
35. **Licences, permits and authorisations.** All licences, permits and authorisations issued by public bodies in relation to the Suez UK waste business, to the extent permissible under the applicable law. Given the proposed share sale structure, these would pass to the purchaser automatically with the relevant legal entities.
36. **Management, staff, support functions and head office.** The UK management team, all operational staff that currently service the contracts, projects and facilities described above, the municipal and C&I bid teams, all back-office functions, all IT systems and databases, the head office at Maidenhead and any other land interests associated with Suez’s UK waste business.
37. As the CMA notes in the NPR, this remedy would be **fully effective in addressing the provisional waste SLCs** identified by the CMA. The divestment would fully eliminate the overlap between Veolia and Suez in all of the UK waste markets, including in relation to “complex” contracts, municipal collection services, the O&M of local-authority owned MRFs and ERFs, incineration services, composting and C&I collection services. The purchaser of the Waste Divestment Business would be established as an effective and credible supplier in these markets, and would be able to compete in the same way that Suez UK does today and did pre-Transaction.
38. The remedy would be a **viable, standalone business** capable of competing successfully on an ongoing basis.
- Suez’s UK waste business is a standalone business with its own management, employees, assets and back-office functions. It is organised within a UK holding company. It is organisationally and operationally independent from, and has no significant links or dependencies with any other Suez entity, including the Suez WTS (water) business. [REDACTED]⁹ For these reasons, the Waste Divestment Business will function either as a coherent standalone business, as it does today, or a strong complement to an existing waste management (or adjacent) business.
 - As Suez has explained in its submissions to the CMA, [REDACTED].¹⁰ The [REDACTED] relating to UK non-hazardous waste management will be included with the divestment.

⁹ [REDACTED]

¹⁰ See, for example, [REDACTED]

- The ‘Suez’ brand was sold to New Suez earlier this year and therefore will not form part of the Waste Divestment Business.¹¹ This will not impact the ability of the Waste Divestment Business to compete effectively in the UK waste markets. Branding is not important in the waste management services market; the Suez business only switched from the Sita brand to the Suez brand in 2015. Customers are commercial or industrial entities or local authorities whose primary objective is to obtain a reliable and high quality service at the best possible price. Customers are sophisticated and aware of market developments, and will know that the Waste Divestment Business has a strong track record in the UK. Moreover, the ability to attract customers is mainly based on the level of experience of the sales and technical teams.

Nevertheless, if the CMA finds that branding is an important element of any waste remedy, then this could be addressed in two main ways.

- (i) First, the Waste Divestment Business could be sold to an existing operator (in the UK or elsewhere) with an established brand in waste management. [REDACTED]
- (ii) Second, alternatively and/or subject to the purchaser’s preference, Veolia would be prepared to include a legacy Veolia UK brand with the Waste Divestment Business. For example, this could be Veolia’s “Onyx” brand in the UK, which was the principal brand used for Veolia’s waste management activities between 1989 and 2005.

B. There Are Many Suitable Purchasers

39. This remedy would be **attractive to buyers**. Veolia is confident it will be possible to identify a strategic player or a committed financial investor that will be able to develop the business. Veolia has worked with its financial advisers to identify potential purchasers of the Waste Divestment Business. They have been identified on the basis of their ability and incentive to proceed with a transaction, taking into account for example the strategic fit of the Waste Divestment Business within their existing businesses, or their ambition in the UK waste market. More information on potential purchasers that Veolia has identified can be found in Confidential Annex 2.
40. The NPR invites views on whether it would be necessary for the waste divestment, UK Industrial Water O&M divestment and MWS divestment to be sold to a single purchaser. It is not necessary for the water and waste divestment businesses to be sold to a single purchaser, as there are many suitable purchasers in each market. These businesses are also run completely separately today, both from an organisational and an operational standpoint.
41. The remedy would be **easily implemented, self-executing and certain**. Since the remedy is structural, it could be implemented directly within a limited period of time. There would be no need for ongoing monitoring.

¹¹ The Suez UK Waste business (and the Suez WTS business) will continue to operate under the ‘Suez’ brand until such time the CMA grants the necessary derogations under the IEO.

42. The shares in a holding company of the Suez UK waste business would be sold within a short timeframe after the CMA's Final Report. Based on Veolia's experience, it would take around [REDACTED] months to implement the divestment remedy.
43. In June 2021 Suez, Veolia and a Consortium of investors signed a Memorandum of Understanding with a view to creating New Suez. On 27 June 2021, the Consortium made a final offer to acquire New Suez. On 29 June 2021, Veolia and Suez concluded a Put Option Agreement with the Consortium for the sale of New Suez. Finally, on 22 October 2021, the Share and Asset Purchase Agreement ("SAPA") to facilitate the creation of New Suez was signed by the Parties. [REDACTED].
44. [REDACTED]
45. [REDACTED] Veolia envisages a short process to identify [a] suitable buyer.
46. [REDACTED]
47. As the Waste Divestment Business's assets are already operated independently to a large extent, Veolia anticipates that very little preparation will be required in advance of closing. Under Veolia's proposal, the contracts forming part of the Waste Divestment Business would pass to the purchaser automatically with the entities being divested (subject to a small number of change-of-control consents). [REDACTED]
48. Overall, this remedy would be a viable, standalone business capable of competing effectively in the UK waste markets, and would have a very low risk profile.
- C. A Divestment of Veolia's UK Waste Business Would Be Disproportionate and Impractical**
49. The NPR identifies as a possible waste remedy a full divestment of Veolia or Suez's entire UK waste businesses. Veolia has explained in Section III(A) above why a divestment of Suez's UK waste business would be an effective remedy.
50. By contrast, a divestment of Veolia's UK waste business would be unnecessary and hugely disproportionate; it would also be impractical.
- First, Veolia is active in a range of different activities in the UK that have no connection with the Transaction (*e.g.*, energy).
 - Second, Veolia UK is a much larger business than Suez UK (Veolia's 2020 UK revenue was £[REDACTED] whereas Suez's was around £[REDACTED]), which would create additional challenges. [REDACTED]
 - Third, Veolia UK would have to be carved out of the global Veolia group legally and financially, which would be a difficult and complex exercise and would have a hugely disruptive effect on employees and customers.
51. The CMA's remedies guidance provides that in identifying a divestiture package, the CMA will take, as its starting point, divestiture of all or part of the acquired business

(*i.e.* the target business). Only where there is no greater risk in addressing the SLC will the CMA consider a divestment of the acquiring business.¹² It is clear that this is not the case in respect of the Veolia UK waste business.

¹² CMA Merger Remedies, CMA87, 13 December 2018, para. 5.6

IV. Water Remedies

A. Veolia's Proposed Divestment Remedies

52. The CMA has yet to form a view on the scope of the divestment that would constitute the smallest viable, standalone businesses that can be divested and compete successfully on an ongoing basis and address comprehensively the CMA's provisional SLC findings in the supply of Industrial Water O&M and the supply of MWS.¹³
53. While Veolia disagrees with the CMA's provisional SLC findings, should the CMA confirm these findings in its Final Report Veolia has proposed remedies below that would resolve the provisional SLCs in the Industrial Water O&M and MWS markets described in the PFs. Veolia's proposed remedies would be effective, quick and proportionate. Both of these remedies consist of Veolia's business operations, which avoids 'mix-and-match' divestitures. The divestiture packages will function effectively as viable, standalone business operations.

Veolia UK O&M Industrial Water Divestment Business Remedy

54. The CMA has not yet reached an initial view on what would be an effective remedy for the provisional SLCs that it has identified in the supply of Industrial Water O&M. The NPR notes at paragraph 42(a)(i) that the CMA is exploring the possibility of a divestiture of the UK operations of Veolia or Suez, which engage in the supply of Industrial Water O&M.
55. The sale of the Veolia UK O&M Industrial Water Divestment Business would effectively resolve the CMA's provisional SLC at a lower cost and in a more proportionate manner compared to the other remedy options for Industrial Water O&M presented in the NPR. It is a structural remedy that is capable of being implemented quickly and would not require ongoing monitoring.
56. Veolia's proposed divestment could be implemented through the sale of a legal entity, including all the contracts, staff and assets that comprise its UK Industrial Water O&M business.
57. The UK O&M Water Divestment Business represents an attractive package, comprising the entirety of Veolia's UK Industrial Water O&M business. This is a standalone business that will enable the purchaser to operate the divestment business and compete effectively for new customers and contracts. The UK O&M Water Divestment Business will comprise:
- **Legal entity.** All the shares in a separate legal entity to be used to facilitate the transfer of the UK O&M Water Divestment Business to the purchaser.¹⁴

¹³ See NPR, paragraphs 27, 41 and 50(b).

¹⁴ [REDACTED]

- **Contracts.** All of Veolia’s UK Industrial Water O&M contracts. The contracts in place today are set out in Table 1 below.¹⁵ [REDACTED].¹⁶

Table 1: Veolia Industrial Water O&M Current UK Contracts

Customer	Industry	Location of Facility	Associated Activity	FY21 Revenue (£ million)	Contract End Date
[REDACTED] ¹⁷					

As explained in [REDACTED], these are all of Veolia’s contracts in the area of overlap with Suez in the UK (*i.e.*, water/wastewater O&M services for industrial customers).

- **Current development opportunities.** All of Veolia’s current bids and ongoing proposals for renewals and new contracts for Industrial Water O&M in the UK.
- **Staff.** All the staff necessary to service the above contracts, including technical and operational staff [REDACTED] would transfer to the Purchaser. [REDACTED]
- **Experienced management.** Veolia has identified a manager to lead the UK O&M Water Divestment Business. [REDACTED]
- **Tangible (operational) assets.** The small number of tangible (operational) assets owned by Veolia that currently service its UK Industrial Water O&M contracts. The only assets required to operate Veolia’s UK Industrial Water O&M business are those that are located at the relevant customer site, which are either owned by the customer (which is almost always the case) or, to the extent they are owned by Veolia, will transfer as part of the divestment. The assets included in the UK O&M Water Divestment Business are: (i) one cabin at the [REDACTED] customer site, (ii) one van at the [REDACTED] customer site, (iii) membranes at the [REDACTED] customer site, and (iv) the IT equipment (namely, laptops and desktops), stocks of critical spares and chemicals held at the UK O&M Water Divestment Business customer sites. In addition the UK O&M Water Divestment Business will include a number of leased vans located at the customer sites that can quickly and easily be novated to the separate UK O&M Water Divestment Business legal entity, and subsequently transfer automatically to the purchaser under the share sale.
- **Site Monitoring Systems.** Each of the UK O&M Water Divestment Business customer sites uses a different system to monitor for equipment and

¹⁵ These contracts comprise all of Veolia’s contracts for Industrial Water O&M.

¹⁶ This substitution methodology was used in the EC remedy requiring the divestment of Veolia’s French industrial water business. It will ensure that the purchaser obtains the agreed size of Industrial Water O&M business.

¹⁷ O&M services to [REDACTED] are provided under two separate contracts.

telemetry alarms. These are independent systems provided either by a third party or the client themselves, none of the sites uses Veolia's Site Monitoring Centre to monitor for equipment and telemetry alarms.

- **Back office support functions.** Veolia would be willing to provide TSAs if required by the purchaser to support the UK O&M Water Divestment Business with back-office services for a short period of time until the purchaser has equivalent support in place, for example for IT, finance, HR, supply chain (including for existing framework agreements), and health and safety support.
 - **Permits and consents.** The permit relating to [REDACTED]. The owner of a water or wastewater facility typically holds the permits or consents necessary for operation of the facility, not the supplier of O&M services. This is the case for all contracts in the UK O&M Water Divestment Business, except the [REDACTED], where Veolia holds the permit. The transfer of this permit to the purchaser would be a routine and straightforward process. Veolia has transferred permits on numerous occasions for its activities across its waste, water and energy business. For example, [REDACTED] In any case, this process would not delay the divestment because, until the transfer is complete, the purchaser would operate the site under Veolia's existing permit.
58. **The UK O&M Water Divestment Business would be fully effective in addressing the provisional SLC outlined in the PFs.** Veolia's proposed remedy would involve the transfer of the entirety of Veolia's current Industrial Water O&M business, with revenues of [more than £5 million] in 2021 and includes all assets, staff and resources necessary to operate the UK O&M Water Divestment Business and to compete for new business (*see* paragraph 57 for the full list of assets to be divested).
59. The UK O&M Water Divestment Business would provide a purchaser with the assets, ability, and experience to bid for future O&M opportunities:
- The UK O&M Water Divestment Business includes all of Veolia's current bids and ongoing proposals for renewals and new contracts for Industrial Water O&M services.
 - The UK O&M Water Divestment Business includes [REDACTED] all personnel necessary for its operation.
60. The UK O&M Water Divestment Business would result in a competitor with all the necessary assets, resources and experienced employees to be a strong, credible competitor in the UK Industrial Water O&M market. This includes specialist maintenance experience and processes, and the ability to asset manage the life cycle of Industrial Water O&M.
61. The sale of the UK O&M Water Divestment Business would directly address the CMA's provisional concerns by eliminating the entire overlap between Veolia and Suez's activities in Industrial Water O&M in the UK. It would remove any

increment in the merged entity's market share for the supply of UK Industrial Water O&M, resolving the CMA's provisional SLC in the supply of UK Industrial Water O&M in the UK.

62. **The UK O&M Water Divestment Business comprises a viable, standalone business** that can compete successfully on an ongoing basis. The UK O&M Water Divestment Business, as set out at paragraph 57 above, includes all of Veolia's UK Industrial Water O&M activities and will be a financially viable, standalone business that would be attractive to purchasers. Veolia is engaging in discussions with potential purchasers.
63. The UK O&M Water Divestment Business includes all of the assets and employees required to operate Veolia's UK Industrial Water O&M contracts, which already function as standalone contracts. Veolia's existing UK Industrial Water O&M business has very little interaction with the rest of the Veolia UK&I business. This is because the vast majority of Veolia's operations associated with each contract takes place at the relevant customer site. As set out above, the UK O&M Water Divestment Business will include all [REDACTED]employees [REDACTED] (*see* paragraph 57 above).
64. The divestment business will continue to purchase chemicals and spare parts from third parties, such as Hach for instruments and ALS for external accredited laboratory services. The divestment business currently purchases some items from VWT [REDACTED] on arm's length terms. The divestment business will be able to continue to buy these products from VWT or switch to a third-party supplier.
65. The NPR invites views on whether there are any synergies between Veolia's UK Industrial O&M Water business and its wider, global business, which should be preserved under a possible divestiture remedy. As noted above, the UK O&M Water Divestment Business has very few links with the wider UK business, let alone the wider global business. For example, VWT is not active in Industrial Water O&M in the UK and there are also no material links between the French industrial water business and the UK O&M Water Divestment Business. As with any business that sits within a broader group, the UK O&M Water Divestment Business currently benefits from shared general and administrative expenses ("SG&A"). Veolia does not see this as a synergy between the UK O&M Water Divestment Business and the Veolia group. Any of the potential suitable purchasers listed by Veolia below have other business activities that would equally allow the UK O&M Water Divestment Business to benefit from SG&A.
66. **The UK O&M Water Divestment Business does not require access to Veolia technologies.** The NPR invites views on whether there are any synergies arising between Veolia's UK O&M Water Divestment Business and the VWT business or non-UK operations for Veolia. There are no such synergies in this case, as the UK O&M Water Divestment Business generally operates separately from the rest of Veolia's business activities.
67. In particular, as a supplier of O&M services, Veolia's UK Industrial Water O&M business does not select the technology chosen for the site and does not require access to technologies from the wider Veolia group. It is the owner of the water

and/or wastewater treatment facility that chooses the technology, sometimes in conjunction with a consultant. The O&M supplier is then directed to operate and maintain the technology that has been selected by the customer. Veolia's employees who deliver O&M services (all of whom would transfer to the purchaser) are experienced in the full range of technologies, for example from Aquabio, Hach, Dow, and Voith, as the technology varies from site to site depending on the customer choice.

68. **No intangible assets are necessary.** No intangible assets, and in particular no intellectual property rights, or research and development capability, are necessary for the operation of the O&M Water Divested Business as a viable and competitive business. The O&M Water Divested Business does not have any intellectual property rights, nor does Veolia have plans to develop any intellectual property rights for the UK O&M Water Divestment Business. The ability to attract customers is mainly based on the level of experience of the sales and technical teams.
69. Veolia does not intend to transfer the Veolia brand with the UK O&M Water Divestment Business. Branding is not important in the Industrial Water O&M market. In any event, Veolia intends to sell the UK O&M Water Divestment Business to a player with experience in the water and/or wider industrial services sector, who would already have a strong brand with which to compete. All of the suitable purchasers listed below have strong brands in the water industry. The Veolia brand is therefore unnecessary for the divestment to be effective.
70. **No head office premises are required.** [REDACTED] The UK O&M Water Divestment Business has no need for head office premises, although each of the purchasers listed below have premises that could be used should they consider this necessary.
71. **No continuing links with Veolia.** There will be no continuing links between the businesses in relation to contracts, assets, personnel, IT and other systems, customers or administrative and other support functions (except that where necessary, and at the request of the purchaser, Veolia will arrange TSAs for back-office services for a short period, on arms' length terms).
72. The composition of the UK O&M Water Divestment Business will allow the purchaser to compete as an effective competitor and restore the competitive constraint imposed by Suez on Veolia that the CMA considers would be lost by the merger.
73. **The competitive potential of the UK O&M Water Divestment Business will be maintained during the disposal period.** The UK O&M Water Divestment Business would include the transfer of all personnel necessary for its operation [REDACTED]. The UK O&M Water Divestment Business's competitive potential would be maintained during the disposal period through instructing the bidding team to continue to bid for opportunities arising and through ensuring that existing customers are supported effectively in line with contractual requirements.
74. **The UK O&M Water Divestment Business remedy would be practical to implement and would not require ongoing monitoring.** Since the remedy is

structural, the remedy could be implemented directly within a short period of time, and there would be no need for ongoing monitoring.

75. The UK O&M Water Divestment Business will contain all necessary assets and operational functions to operate the contracts and to compete for future contracts. While the contracts currently sit across a number of legal entities, Veolia does not anticipate any difficulties in transferring the contracts and associated assets and employees to a single legal entity (which would be consistent with the standalone nature of the UK O&M Water Divestment Business). The divestment would then be implemented by way of a share sale. As the contracts operate separately from the wider division in which the business sits (Industrial, Water and Energy - IWE), there would be no impact on the remaining Veolia business lines. In contrast, it would be challenging to implement any larger carve out of Veolia's IWE business as this would have a negative impact on Veolia's remaining IWE business lines outside the scope of the SLC.
76. [REDACTED]
77. **The UK O&M Water Divestment Business remedy could be implemented quickly.** Veolia will be able to implement the proposed divestment quickly and effectively by setting up the proposed single legal entity and then selling it to the purchaser:
- [REDACTED]
 - Veolia can dispose of the tangible assets held by the UK O&M Water Divestment Business without difficulty. Veolia owns only a small number of tangible assets for its UK Industrial Water O&M business and it will be straightforward and quick to transfer these to the proposed single legal entity. In addition the leased vans located at the customer sites can quickly and easily be transferred to the proposed single legal entity (followed, in each case, with the sale of shares in the entity to the purchaser).
 - The continuation of the UK O&M Water Divestment Business as a competitive and viable business does not require intangible assets, therefore no such intangible assets would require transfer.
 - The UK O&M Water Divestment Business will include all personnel necessary for its operation.
 - Any back office services necessary for the operation of the UK O&M Water Divestment Business will be subject to TSAs if required by the purchaser for a short period of time.
 - Veolia envisages it will be straightforward to transfer the single environmental permit held by the UK O&M Water Divestment Business to the proposed single legal entity.

B. There Are Many Suitable Purchasers

78. **The UK O&M Water Divestment Business is attractive to purchasers.** The Divestment Business would be attractive to a range of purchasers, in the UK or outside the UK, [REDACTED]. More information on potential purchasers that Veolia has identified can be found in Confidential Annex 3. There is no risk that a suitable purchaser is not available, or that the Parties would be incentivised to divest the UK O&M Water Divestment Business to a weak or inappropriate purchaser.¹⁸ Veolia will engage actively with the CMA to discuss the range of potentially interested purchasers and any purchaser would also, by definition, have to satisfy the CMA's standard purchaser approval criteria.
79. Veolia does not consider that there are any specific purchasers or types of purchaser that should be ruled out as potentially suitable purchasers.¹⁹ Veolia intends to sell the UK O&M Water Divestment Business to an existing industry player, with experience in the water and/or wider industrial services sector. Paragraph 28 of the NPR sets out the CMA's criteria for a suitable purchaser. The CMA requires a purchaser who (i) is independent of the merger parties; (ii) has the necessary capability to compete; (iii) is committed to competing in the relevant markets, and (iv) will not create further competition concerns. All of the potential purchasers listed in Confidential Annex 3 satisfy these criteria. Veolia does not consider that there are any particular circumstances of the case or relevant market that result in any other specific factors or requirements to which the CMA should pay particular regard in assessing purchaser suitability.²⁰
80. The NPR invites views on whether the UK O&M Water Divestment Business and the Veolia European MWS Divestment Business should be divested to the same purchaser. [REDACTED] it is unnecessary for the CMA to require this, given the broad range of suitable purchasers available in each market [REDACTED]²¹[REDACTED]
81. [REDACTED]
82. [REDACTED]
83. [REDACTED]
84. Veolia expects the sale of the UK O&M Water Divestment Business to be completed within a short period after signing.
85. **Divestment to an upfront buyer is not required.** There are a number of potential purchasers in whose hands the UK O&M Water Divestment Business would be an effective and credible competitor on an on-going basis. [REDACTED] Veolia intends to divest the UK O&M Water Divestment Business to a player with experience in the water and/or wider industrial services industry. All of the potential

¹⁸ The NPR, paragraph 65(d).

¹⁹ The NPR, paragraph 56(a).

²⁰ The NPR, paragraph 56(b).

²¹ As explained at paragraph 43, the divestment of the UK O&M Water Divestment Business would engage [REDACTED]

purchasers listed in Confidential Annex 3 have the experience and capability required to restore fully the competition in the UK Industrial Water O&M market between Suez and Veolia that could be expected in the absence of the merger (notwithstanding that Veolia considers there is no SLC in this market arising from the merger).

86. The UK O&M Water Divestment Business is a highly attractive package that does not require an upfront buyer. It provides a purchaser with the contracts, ongoing bids, and employees required to operate a successful, competitive Industrial Water O&M business. Veolia is conducting market analysis and is confident it will be possible to identify a strategic player that will be able to develop the UK O&M Water Divestment Business.
87. A requirement to divest to an upfront buyer would therefore be unnecessary and disproportionate.

C. A More Onerous Divestment Remedy Is Unnecessary and Disproportionate

88. **No alternative divestment package is necessary.** The UK O&M Water Divestment Business would be effective in resolving the provisional SLC found by the CMA in the PFs, easily implemented, self-executing and certain. There is therefore no need for an alternative divestment package. Veolia is confident that the UK O&M Water Divestment Business is easily marketable, has no major asset risks and can be divested promptly.

- **Easily marketable.** Veolia is confident that the UK O&M Water Divestment Business is attractive to purchasers. Veolia intends to target players with experience in the water and/or wider industrial services sector, who may wish to enter or expand their activities in the Industrial Water O&M market in the UK. Expanding the package beyond Industrial Water O&M could make the divestiture less attractive.
- **No major asset risks.** As a simple share sale of a single legal entity, the divestment of the UK O&M Water Divestment Business can progress quickly, reducing asset risk from an extended divestment timeline.

[REDACTED] The customer is focused on the local expertise of the onsite employees and the offsite technical employees who they interact with on a day to day basis. These will not change as a result of the divestment. The broader group that those staff are part of has little consequence for the customer, in particular given that any of the purchasers listed above would be a capable and effective competitor.

- **Speed.** Veolia is confident that it could complete the divestiture of the UK O&M Water Divestment Business within [REDACTED] months. There is, however, no reason to believe that speed is a critical factor in this case: the relevant business activities are contracts at customer sites, with dedicated staff and performance criteria that must be satisfied. These contracts will continue to be performed in the same way by the same people before and after divestment.

89. The UK O&M Water Divestment Business does not meet any of the factors listed in the NPR for the CMA considering whether to make available an alternative divestment package. Any “crown jewels” remedy would therefore be unnecessary and disproportionate.
90. As noted above, Veolia is confident that the UK O&M Water Divestment Business is an attractive package that will be sold in a short period of time. No “crown jewel” remedy would therefore be required. [REDACTED]
91. The sale of the WTS UK O&M Divestment Business would also provide an effective remedy addressing the CMA’s provisional SLC in a more proportionate way than the sale of the global WTS business (which would be completely disproportionate). It is a structural remedy that is capable of being implemented quickly and monitored easily.
92. The WTS UK O&M Divestment Business has separate origins from much of the rest of the current Suez WTS UK (and global) business. Prior to 2017, WTS UK O&M was run out of the [REDACTED], part of the legacy Degremont business. In 2017, the Suez Industrial Water business was combined with the former GE Water business (which did not have any O&M activities in the UK) to form what is now the Suez WTS global business. Since then, WTS UK O&M has remained separate from the former GE Water businesses in the UK. The WTS UK O&M business has continued to operate out of the [REDACTED].
93. To implement this divestment, Veolia would sell shares in [REDACTED]. As a result, the standalone Suez WTS UK Industrial Water O&M business would transfer to the purchaser.
94. The divestment business would represent an attractive standalone business, comprising the whole of WTS’s UK Industrial Water O&M business:
- **Legal entity:** All shares in [REDACTED]. This would transfer all of WTS’s current operating UK Industrial Water O&M contracts, assets and the vast majority of the employees who work in that business. (The small number of relevant employees that sit outside that legal entity would be transferred to that entity before its divestment.)
 - **Contracts.** All of WTS’s UK Industrial Water O&M current operating contracts. The contracts in place today are set out at Table 2 below.

Table 2: Suez WTS Current Contracts for O&M Services of Water and Wastewater Treatment Facilities for Industrial Customers in the UK²²

Customer	Water Type	Contract Start Date	Contract End Date	Term (years)	Annual Contract Value of O&M (£)
[REDACTED] ^{23 24 25 26 27 28}					

- **Current development opportunities.** The WTS UK O&M Divestment Business would include all of WTS’s ongoing and future bids for UK Industrial Water O&M contracts.
- **Staff.** The WTS UK O&M Divestment Business would include all the employees that currently service the above contracts. In particular, this would include all operational staff, technical development leaders, territorial managers, a finance team, a human resources team, sales managers, and QHSE staff. It would also include a “proposals” role for business development. [REDACTED]
- **Support functions.** Back-office functions, including finance, human resources and QHSEs. As the WTS UK O&M Divestment Business already exists as a standalone business, there are only a small number of shared back-office functions with Suez and/or WTS. Suez/WTS would be willing to enter into TSAs for these few functions, until such time that the purchaser has equivalent support in place.
- **Site monitoring capability.** WTS uses an internet based platform to monitor equipment at customers’ sites. To the extent required, the WTS UK O&M Divestment Business would be sold with a licence to continue using this platform.
- **IT system.** Suez transferred the WTS UK O&M Divestment Business to a wider WTS system only in recent months. Until then, the WTS UK O&M Divestment Business used its own standalone IT system, which was a legacy of the fact that the business was not part of the GE Water business that was acquired by Suez and makes up most of WTS. That IT system still exists could readily be reinstated before divestment, if necessary. Alternatively, it

²² [REDACTED]

²³ [REDACTED]

²⁴ [REDACTED]

²⁵ [REDACTED]

²⁶ [REDACTED]

²⁷ [REDACTED]

²⁸ [REDACTED]

would be straightforward for any purchaser to transfer the WTS UK O&M Divestment Business onto its own IT systems. Suez is willing to put in place TSAs for any other IT systems or applications that the WTS UK O&M Divestment Business currently access.

- **Tangible (operational) assets.** The assets required to operate WTS's UK Industrial Water O&M business are those that are located at the customer site, which are typically owned by the customer. The only assets owned by WTS are those used at the [REDACTED] customer sites.

At the [REDACTED] customer site, the assets consist of equipment installed by, and owned by, the WTS UK O&M Divestment Business. At the [REDACTED] site, the assets are standard mobile units that are owned by the WTS UK O&M Divestment Business, leased by [REDACTED] and installed on a semi-permanent basis (for 10 years) at the [REDACTED] site. The assets at both sites are owned by [REDACTED], the legal entity that will be divested.

- **Premises.** The WTS office in Grangemouth, which includes a testing laboratory and various back-office support functions. This office could readily function as a head office for the WTS UK O&M Divestment Business if required.
- **Permits and consents.** The owner of a water or wastewater facility typically holds the permits or consents necessary for operation of the facility, not the supplier of O&M services. This is the case in all but [REDACTED] of WTS's Industrial Water O&M contracts. For each of these permits, there is a named individual within WTS responsible for compliance. WTS would transfer these permits to the manager of the WTS UK O&M Divestment Business.
- **Asset Care.** The [REDACTED] entity includes WTS's Asset Care business. This consists of small projects for its Industrial Water O&M customers, focused on maintenance works. Of the WTS UK O&M Divestment Business's approximately £[10-15] million turnover in 2021, approximately [less than £5 million] of this is derived from this Asset Care business.

95. **The WTS UK O&M Divestment Business would be fully effective in addressing the provisional SLC outlined in the PFs.** The proposed remedy would involve transferring the entirety of WTS's current UK Industrial Water O&M business, with revenues of around £[10-15] million in 2021 corresponding to 17 contracts with 15 unique customers, the staff employed to deliver those services, all of WTS's ongoing bids, and any TSA necessary to enable to purchaser to operate the WTS UK O&M Divestment Business and to compete for new business.

96. The WTS UK O&M Divestment Business would provide a purchaser with the assets, ability, and experience to bid for future O&M opportunities:

- The WTS UK O&M Divestment Business includes all of WTS's ongoing and future bids for UK Industrial Water O&M contracts.

- The WTS UK O&M Divestment Business includes the transfer of all personnel necessary for its operation.
97. The purchaser would therefore have access to the technical staff, operational staff and the sales staff required for the operation of the WTS UK O&M Divestment Business, as well as all qualified personnel necessary for the commercial, technical and administrative management. The WTS UK O&M Divestment Business would result in a competitor with the assets and experienced employees required to be a strong, credible competitor in the UK Industrial Water O&M market.
98. The sale of the WTS UK O&M Divestment Business would directly address the CMA's provisional concerns by eliminating the entire overlap between Veolia and Suez's activities in Industrial Water O&M in the UK. It would remove any increment in the merged entity's market share for the supply of UK Industrial Water O&M, resolving the CMA's provisional SLC in the supply of UK Industrial Water O&M in the UK.
99. **The WTS UK O&M Divestment Business is a viable, standalone business, capable of competing successfully on an ongoing basis.** The WTS UK O&M Divestment Business consists of assets and staff from WTS's UK Industrial Water O&M business. It is a standalone business unit organised within the [REDACTED] legal entity, which is legally and operationally separate from the rest of the WTS business. A small number of employees would be transferred to the [REDACTED] legal entity prior to the sale of the shares in that entity. A small number of employees who are not necessary to the WTS UK O&M Divestment Business would be transferred out of the entity.
- **The WTS UK O&M Divestment Business is not dependent on any other Suez or WTS entity.** The NPR invites views on whether there are any synergies between WTS's UK Industrial O&M Water business and its wider, global business, which should be preserved under a possible divestiture remedy. As noted above, the WTS UK O&M Divestment Business is the SUEZ Industrial Water business, which predated Suez's 2017 acquisition of GE Water. The majority of WTS was formed through the GE acquisition, which had no UK O&M business. Suez's pre-existing UK O&M business has not been fully integrated with the business acquired from GE. The WTS UK O&M Divestment Business therefore has very few links with the wider UK WTS business, let alone the wider global WTS business.

The WTS UK O&M Business and the "build, own, operate" / "build, own, transfer" ("BOO" / "BOT") part of WTS's MWS business currently report to the same territorial managers. These businesses function separately, with employees for each employed by separate legal entities, and the relevant territorial managers would remain with the WTS UK O&M Divestment Business.

- **The WTS UK O&M Divestment Business does not require access to WTS technologies.** The few WTS products (for example, membrane bioreactor technologies) used at a small number of Industrial Water O&M customer sites are widely available for third parties to purchase on the market

on an arm's length basis. The majority of WTS's UK Industrial Water O&M sites already use third party technologies that are available on the market.

- **No intangible assets are necessary.** No intangible assets, and in particular no intellectual property rights, or research and development capability, are necessary for the operation of the WTS UK O&M Divestment Business as a viable and competitive business. The WTS UK O&M Divestment Business does not have any intellectual property rights, nor does WTS have plans to develop any intellectual property rights for the WTS UK O&M Divestment Business. While Suez is not aware of any relevant intellectual property rights or know-how, in the event that any are identified by a purchaser as being necessary, Suez would grant a UK licence to that intellectual property or know-how. The ability to attract customers is mainly based on the level of experience of the sales and technical teams.

As mentioned above, the 'Suez' brand was sold to New Suez earlier this year and therefore will not form part of the WTS UK O&M Divestment Business. Branding is not important in the Industrial Water O&M market. The focus is on the WTS employees' relationship with the client. If the CMA considers that branding is important an important element of a WTS UK Industrial Water O&M remedy, Veolia could address this in two ways:

- (i) The WTS UK O&M Divestment Business could be sold to an existing operator with an established brand in Industrial Water O&M. There are many who would be interested in acquiring the business, including all of those listed at Confidential Annex 3.
- (ii) WTS could provide a transitional brand licensing agreement for the WTS brand, which could aid the purchaser in establishing its UK Industrial Water O&M presence, before switching to its own brand.

- **No head office premises are required.** The majority of the employees in the WTS UK O&M Divestment Business work onsite, at the customer location, or can work remotely. [The] office in Grangemouth could be used as a head office if necessary.
- **No continuing links with Suez.** There will be no continuing links between the businesses in relation to the current contracts, assets, personnel, IT and other systems, customers or administrative and other support functions (except that where necessary, and at the request of the purchaser, Suez will arrange TSAs for a standard period, on arms' length terms).

100. The composition of the WTS UK O&M Divestment Business will allow the purchaser to compete as an effective competitor and restore the competitive constraint imposed by Suez on Veolia that the CMA considers would be lost by the merger. The WTS UK O&M Divestment Business would function as an effective standalone business, or it could aid a player with experience in the water sector to enter or expand its presence in the UK Industrial Water O&M market.

101. **The competitive potential of the WTS UK O&M Divestment Business will be maintained during the disposal period.** The WTS UK O&M Divestment Business would include the transfer of all personnel, assets and support functions necessary for its operation. Veolia would be willing to provide any additional support required for the operation of the WTS UK O&M Divestment Business through TSAs.
102. **The WTS UK O&M Divestment Business remedy would be practical to implement and would not require ongoing monitoring.** Since the remedy is structural, the remedy could be implemented directly within a limited period of time, and there would be no need for ongoing monitoring. The WTS UK O&M Divestment Business contains everything required to operate as a viable, standalone business and no operational links would remain between the Waste Divestment Business and Suez.
103. [REDACTED]
104. The NPR notes at paragraph 42(a)(i) that the CMA is exploring the possibility of a divestiture of the UK operations of Veolia or Suez, which engage in the supply of Industrial Water O&M. At paragraph 39, the NPR notes that the CMA has provisionally found that a carve-out of Suez's UK businesses in the water markets where the CMA has provisionally found SLCs might not be feasible and could potentially have a detrimental effect on both the business being carved out and the remaining Suez Global WTS Business. This is not accurate for the WTS UK O&M Divestment Business, which can be easily carved out from the wider WTS business, with no detrimental effect. This is because the WTS UK O&M Divestment Business already operates as a viable, standalone business, and is almost entirely contained in a single legal entity, [REDACTED]. This is separate from the rest of WTS's UK business (its water treatment chemicals business as well as ES Projects, ES Products and mobile water services activities), which is [REDACTED]. This divestment could therefore be implemented by a straightforward share sale, with no detrimental impact on the remaining Suez Global WTS Business.
105. Further, Veolia previously explained [REDACTED], that Suez owns only 70% of WTS, with the remaining 30% held by Caisse de dépôt et placement du Québec (“CDPQ”). [REDACTED]
106. **The WTS UK O&M Divestment Business remedy could be implemented quickly.** Veolia will be able to implement the proposed divestment quickly and effectively:
- The divestment would be a straightforward share sale.
 - The UK O&M Water Divestment Business includes all personnel and assets that would be necessary for its operation.
 - The WTS UK O&M Divestment Business includes almost all support functions, and the few additional services can be provided through TSAs until such time as the purchaser is able to replicate or replace them with its own systems.

107. **Veolia is willing to offer contractual guarantees under the divestment transaction to reinforce the effectiveness of the UK O&M Water Divestment Business.** While Veolia does not believe that such contractual guarantees are necessary for the effectiveness of the UK O&M Water Divestment Business, Veolia would be willing to agree to add contractual guarantees to the UK O&M Water Divestment transaction to remove any remaining concerns the CMA might have. For example: [REDACTED]
108. **The UK O&M Water Divestment Business will be attractive to purchasers and will resolve competition concerns.** The UK O&M Water Divestment Business functions in the same way as the divestment of Veolia’s activities in the French segment of the industrial water management services market (the “IWF Divested Activity”), which Veolia has committed to as part of its EC merger control clearance.
109. [REDACTED] Veolia has entered into a POA giving it the right to sell the IWF Divested Activity to Séché Environnement, a French industrial group with an offering in industrial effluent management.²⁹ This demonstrates that a similar remedy, although in that case structured as an asset transfer of contracts, assets and employees that make up a Veolia industrial water offering, is attractive, viable and straightforward to implement.
110. The divestment of the IWF Divested Activity will be implemented by the transfer of all of the assets and contracts that comprise Veolia’s Industrial Water Business in France [REDACTED]
111. [REDACTED]
112. [REDACTED]
113. [REDACTED]
114. Industrial Water O&M services are provided by staff dedicated to particular contracts. The vast majority of employees are onsite, interacting with the customer on a day-to-day basis. The focus is therefore on each customer site, rather than providing the same products and services from a central place of business for all clients. Outside of routine back office support, which can be provided through TSAs for a transitional period, the industrial water management businesses operate separately from Veolia’s other business activities with a focus on the requirements of each individual customer. It is logical that a divestment of this type of business would comprise a package of those contracts and dedicated employees. Veolia will transfer this standalone business into a single legal entity ahead of the divestment process (subject to the CMA’s consent under the Initial Enforcement Order).

²⁹ See Veolia’s press release of 24 May 2022:
<https://www.veolia.com/en/our-media/newsroom/press-releases/veolia-and-seche-environnement-sign-agreement-sell-part-veolia>.

Veolia's European MWS Divestment Business Remedy

115. Pursuant to the European Commission's clearance of Veolia's acquisition of Suez, Veolia has committed to divest all of its activities in the mobile water services market in the EEA and UK. The CMA's initial view is that, provided that the sale of the Veolia European MWS Divestment Business also addresses the CMA's provisional SLC in the supply of mobile water services, this will represent an effective remedy.³⁰
116. The Veolia European MWS Divestment Business remedy will fully address the CMA's provisional SLC in the supply of mobile water services. The sale of the MWS Divestment Business will eliminate the entire overlap between Veolia and Suez's activities, as it includes the whole of Veolia's mobile water services activities in the UK.³¹
117. Under Veolia's commitments to the EC, the entirety of Veolia's activities in MWS in the UK would be divested. Confidential Annex 4 provides a full description of the Veolia European MWS Divestment Business.
118. Broadly, Veolia proposes a divestment to be implemented by an asset sale of the Veolia European MWS Divestment Business. On 6 May 2022, Veolia and Saur entered into a POA which gives the right to Veolia to sell the Veolia European MWS Divestment Business to Saur, and binds Saur to purchase this business if Veolia exercises its option.
119. The Veolia European MWS Divestment Business represents an attractive package comprising the entirety of Veolia's activities in MWS in the UK. The divestment business, as agreed with the EC [REDACTED] includes:
120. **Infrastructure.**
- VWT's site at Stoke-on-Trent, including a regeneration facility for mobile water units, offices and a car park for the mobile water units, as well as a workshop used for the design and manufacturing of technology solutions used by the Veolia European MWS Divestment Business.
 - VWT's premises and facilities dedicated to its MWS business located on its Wissous site in France.
 - VWT's regeneration centre in Heinsberg, Germany, and its personnel. VWT is completing work at the centre so that it will be operational before the divestiture and will enter into an engineering procurement and construction agreement with the purchaser governing the rights and obligations of the parties in the context of such construction works, which will be on arm's length terms.

³⁰ See NPR, para. 38.

³¹ VWT's planned regeneration facility in Heinsberg, Germany is in a testing phase awaiting conclusive results and is expected to be operational in June 2022.

- VWT's entire fleet of [300-400] mobile units stationed in the UK and EEA, together with the corresponding technology solutions.
121. **Intangible assets.** The databases and other intangible elements held by the Veolia European MWS Divestment Business, namely the list of the Veolia European MWS Divestment Business' customers (relating to former, current or identified potential clients or opportunities), and the list of ongoing and completed contracts.
122. **Licences, permits and authorisations.** All licences, permits and authorisations issued by public bodies used in the conduct or for the benefit of the Veolia European MWS Divestment Business, to the extent permissible under the applicable law.
123. **All client contracts, commitments and customer orders** for the benefit of the MWS Divestment Business;
124. **Records.** All customer data (including past, present and future identified customer opportunities), credit, machinery and equipment maintenance files, research and development records and other files of the Veolia European MWS Divestment Business.
125. **Staff.** All employees dedicated to Veolia's MWS business in the UK and EEA [REDACTED].
126. **Documents.** All internal documents and training needed for the manufacture of mobile water units.
127. [REDACTED], the Veolia European MWS Divestment Business also includes:
- **All activities of Solys' technology solutions manufacturing workshop** at the Stoke-on-Trent site (mobile and non-mobile), and the accompanying employees [REDACTED].
 - **Contracts for the supply of technological solutions used in Veolia's current fleet of mobile units**, [REDACTED] for use exclusively in the European MWS market, to the extent they could not be assembled at the Stoke-on-Trent site. These supply contracts will cover the supply of spare parts for these technological solutions [REDACTED]. Veolia will not be bound by any obligation to supply for technological solutions for which it has ceased production.
 - **TSAs between Veolia and the purchaser as and when required and requested by the purchaser for the divestment.** The TSAs would be concluded for a maximum duration of three years, which may be extended by a further two years where the purchaser demonstrates that this is required, under the supervision of a monitoring trustee, and would cover in particular (i) software and computer systems, (ii) technical services, and (iii) legal, administrative and management services, (iv) purchasing, and (v) insurance and real estate services.
 - **A mobile units manufacturing agreement** governing the rights and obligations of Veolia and the purchaser in the context of the ongoing

manufacturing of several mobile water units, which will be entered into on arm's length terms and contain customary provisions for this type of agreement.

- **A mobile units supply agreement**, whereby the purchaser may order up to [REDACTED] mobile water units of its choice, which will be entered into on arm's length terms and contain customary provisions for this type of agreement (including a no less favourable treatment clause and provisions relating to supply chain, logistic and capacity constraints).

128. **The Veolia European MWS Divestment Business Remedy Would Fully Address the Provisional SLC.** The divestment of the Veolia European MWS Divestment Business will fully address the potential loss of competition identified in the Decision in relation to the supply of mobile water services. It will eliminate the entire overlap between Veolia and Suez's activities in the supply of MWS in the UK since it includes the whole of Veolia's MWS activities in the UK. Veolia can implement this remedy effectively, as demonstrated by the fact that Veolia has already entered into a put agreement with Saur for the sale of this business. More specifically:

- Veolia can dispose of the tangible assets held by the Veolia European MWS Divestment Business without difficulty, as demonstrated by the put agreement signed between Saur and Veolia.
- The continuation of the Veolia European MWS Divestment Business as a competitive and viable business does not require intangible assets, in particular intellectual property rights or research and development capacity. The Veolia European MWS Divestment Business requires only (i) a fleet of mobile units with a range of technologies to meet all water treatment demands, (ii) parking capacity, (iii) [REDACTED] and (iv) [REDACTED]. Veolia notes that in the MWS market, the brand's value is low, particularly as customers are generally industrial players whose main focus is a reliable and high quality service at the best possible price. A supplier's ability to attract customers is based on the experience of its commercial and technical teams.
- The Veolia European MWS Divestment Business includes the transfer of all personnel necessary for the operation of the business [REDACTED].
- The computer systems and software necessary for the operation of the Veolia European MWS Divested Business will be subject to TSAs for the time required to allow the purchaser to replicate the systems and software for its own business.
- [REDACTED]
- [A purchaser could] acquire the elements necessary for it to manufacture mobile units themselves, namely: (i) the activities of the Solys workshop at Stoke-on-Trent; and (ii) contracts for the supply of technological solutions used in Veolia's current fleet of mobile units [REDACTED] for use

exclusively in the European MWS market, which cover technological solutions that cannot be manufactured at Stoke-on-Trent ([REDACTED]).

- Veolia's MWS business is currently carried out by a business unit operating autonomously. Although VWT, Veolia Water S.T.I., Solys and Asteralis activities unrelated to the supply of mobile water services currently take place at the Stoke-on-Trent and Wissous sites, it will be straightforward to separate these from the MWS Divestment Business (including the Solys workshop, which the purchaser elected to include in the MWS Divestment Business).
 - All premises at the Stoke-on-Trent site are in the scope of the MWS Divestment Business. This includes those currently occupied by business units that are not involved in the supply of MWS, as these will be relocated as part of the divestment process (subject to reverse TSAs for a limited transition period). The purchaser therefore has the ability to expand activity at the site without any additional investment in land.
 - At Wissous, the facilities used by VWT and the purchaser will be separate, and the offices used by the purchaser's staff will be located in a separate building. Veolia will only benefit from an easement over the purchaser's car park, in order to access its logistics platform and the regeneration station dedicated to its non-mobile water services technological solutions.
129. In addition to CMA approval, there are only a small number of conditions for the divestment of the Veolia European MWS Divestment Business under the EC commitments: [REDACTED]
130. **The purchaser will have sufficient regeneration capacity** through its purchase of the Veolia European MWS Divestment Business to allow for significant growth in the number of units using resin-based technology in its fleet. [REDACTED] It is also possible for the regeneration plant to operate outside of working days if necessary. This potential for expansion of regeneration capacity will support the purchaser's ability to exert strong competitive pressure on the merged entity.
131. In terms of personnel, the purchaser will have access to [REDACTED] all qualified personnel necessary for the [REDACTED] Veolia European MWS Divestment Business, the purchaser will obtain a comprehensive skills base. It can use this to maintain and develop the activities of the Veolia European MWS Divestment Business as a strong competitive force in the UK mobile water services market.
132. The following elements are not part of the Veolia European MWS Divestment Business but these are not necessary for the reasons set out below:
- The divestment excludes [REDACTED] VWT UK employees who are not involved in the mobile water services business, and [REDACTED] Solys employees who are responsible for logistics, and are not involved in the manufacture of mobile units or technological solutions. It is not necessary to include these employees in the Veolia European MWS Divestment Business

given that they are not involved in VWT's activities in the supply of MWS in the EEA or UK.

- Veolia uses external service providers for drivers of its mobile units, like all of its competitors. Drivers of mobile units are therefore not included in the scope of the Veolia European MWS Divestment Business. No special skills are required for drivers of mobile units, beyond those required for basic road transport activities.
133. Further, the Veolia European MWS Divestment Business will not include support functions for human resources, finance, legal or IT. These are not essential to the operation of the Veolia European MWS Divestment Business: they are not unique to the MWS market and can easily be supplied by the purchaser or outsourced if necessary. In order to facilitate the divestment, Veolia will enter into TSAs and transfer assets and personnel to the purchaser that are reasonably necessary for it to put its own administrative functions in place. To further ease the transition, Veolia proposes to continue providing general administrative services under transitional services agreements on arm's length terms, for a transition period of not more than two years.
134. The scope of the Veolia European MWS Divestment Business remedy is therefore effective in addressing the provisional SLC for the supply of mobile water services in the UK. The Veolia European MWS Divestment Business, as described, will eliminate any overlap between Veolia and Suez and create an effective competitor in this sector.
135. **The Veolia European MWS Divestment Business is a fully standalone, viable business** that will be able to compete effectively in the UK MWS market. The Veolia European MWS Divestment Business has an appropriate composition to fully address the relevant provisional SLC (although Veolia notes that it disagrees that there would be such an SLC). It is also attractive to potential purchasers: the Veolia European MWS Divestment Business is a profitable business, with revenues of [more than €20 million] [REDACTED] in 2021 [REDACTED]. The attractiveness of the Veolia European MWS Divestment Business is confirmed by the fact that Saur agreed to an irrevocable commitment to acquire this business, at the option of Veolia, through the POA entered into on 6 May 2022.
136. The scope of the divestiture business is appropriately configured to attract a suitable purchaser, and to allow that purchaser to operate as an effective competitor. To operate independently immediately on divestment, the divested business requires: (i) a fleet of mobile units with a range of technologies to meet all mobile water treatment requirements, (ii) parking capacity, (iii) a team of technicians trained in water treatment; and (iv) a sales team. The Veolia European MWS Divestment Business [REDACTED] has all of these elements, as well as the Solys workshop at Stoke-on-Trent, where mobile water units and standardised technological solutions are manufactured for the whole European business[REDACTED].
137. The Veolia European MWS Divestment Business, as described at Confidential Annex 4, functions as a viable, standalone business. It enables the supply of all

mobile water services within the UK and EEA, namely emergency, planned and multi-year services:

- **Emergency Services.** These ensure the continuity of production at industrial and municipal sites in the event of emergencies like facility failures, equipment failure or natural disasters at an existing water or wastewater facility.
- **Planned Services.** These provide temporary water treatment coverage during equipment modernisation or maintenance, during planned outages for equipment repair and maintenance, or when a new water treatment facility is not yet operational. These can also be needed when additional capacity is temporarily required in the event of production fluctuations. The duration of these services is less than one year.
- **Multi-year Services.** These are provided where customers require longer-term services of more than one year. These allow customers to produce water or treat effluent without the capital required to acquire such facilities. Multi-year operating leases for the provision of mobile water services can extend up to seven years, although the average contract is generally two to three years.

138. The different services offered have distinct contractual frameworks, but the technical requirements are similar. The main difference is the duration of the contract, although the solutions being provided under each type of contract may also vary. For planned and multi-year services, contracts are won through a competitive bidding process (but not for emergency services, which due to their nature are procured on a more ad hoc basis). As a result of the similarity in the technologies required across all types of mobile water services, all mobile water service providers are active in both short- and long-term solutions. The purchaser of the Veolia European MWS Divestment Business would therefore be an effective competitor across the full range of mobile water services, restoring fully the competition in the MWS market between Suez and Veolia that could be expected in the absence of the merger (without prejudice to Veolia's view that there is no SLC in this market). In this respect, it can be noted that Saur is already active - although with modest activities - in this market in the UK and is therefore very well-placed to operate the Veolia European MWS Business as an effective and fierce competitor.
139. VWT's [300-400] unit mobile water fleet use a range of technologies [REDACTED]³²
140. [REDACTED]
141. The technologies [REDACTED] are mature technologies that can be obtained from any third party provider. The assets in which the technologies are employed are

³² These technological solutions can be produced at Solys' workshop at Stoke-on-Trent, which is included in the Veolia European MWS Divestment Business, as described in Confidential Annex 4. The only technological solutions that cannot be produced at Solys' workshop are (i) tanks and pumps, which are already supplied by third parties, and (ii) clarifiers of the dissolved air flotation units and the disc filters, which, at the request of the purchaser, will be subject to supply contracts.

owned by the VWT business unit for MWS. The ownership of the assets will pass to the purchaser as part of the Veolia European MWS Divestment Business, along with the internal documents and training required to enable the purchaser to build new mobile water units (in the Stoke workshop or elsewhere).

142. Veolia notes that the Veolia European MWS Divestment Business would not have any need to source externally supplied maintenance services following the divestment, since the divestment includes (i) all employees responsible for maintenance services and (ii) the internal documents and training needed for the manufacture of mobile units. Maintenance is only rarely carried out by VWT or third party contractors. The MWS Divestment Business currently sources parts and equipment from third parties (typically through simple purchase orders) and could continue to do so post-divestment.
143. The Solys workshop, [REDACTED] as part of the Veolia European MWS Divestment Business, can produce almost all of the technological solutions [REDACTED]. To the extent any technological solutions listed cannot be produced at the Stoke-on-Trent site [REDACTED], the Veolia European MWS Divestment Business would include contracts for the supply of technological solutions used in Veolia's current fleet of mobile units [REDACTED],³³ for use exclusively in the European mobile water services market.
144. The purchaser will have the ability to carry out any type of mobile water services contract, regardless of the scale and sector. The Veolia European MWS Divestment Business' fleet includes a range of technologies that, used together or alone, can address any customer need. [REDACTED] the Veolia European MWS Divestment Business [REDACTED], along with the Solys [REDACTED] production line and internal documents and training required for [a purchaser] to design and manufacture its own mobile units going forward, to grow the [300-400]-strong fleet that it will obtain from Veolia to reflect its business needs going forward. Mobile water services require providers to be flexible since the characteristics of the solution required dictate the services and technologies supplied to the customer, not the preference of the client. In addition, the technical teams and associated services (such as the delivery of the mobile unit, the supply of spare parts, or the supply of training to customer staff who will be maintaining the mobile unit on site) are the same regardless of the type of service required. At the same time, since processes are generally common across the different industries, the purchase of the Veolia European MWS Divestment Business will allow any purchaser [REDACTED] to address the needs of a wide range of customers.
145. The Veolia European MWS Divestment Business is organised within indirect, wholly-owned subsidiaries of Veolia under VWT and is centrally managed as a single team, with strategy objectives set at a European level.
146. **The MWS Divestment Business has a separate management team**, based at the Stoke-on-Trent site. This team makes strategic decisions related to the day-to-day management of the Veolia European MWS Divestment Business.

³³ Veolia's commitment to supply the technological solutions at cost price must be compatible with the legal, regulatory and/or contractual obligations to which Veolia is otherwise subject.

147. [REDACTED]³⁴ [REDACTED]
148. [REDACTED]
149. The business model of the Veolia European MWS Divestment Business will be modelled on the current Veolia mobile water services organisation, which serves the whole of the UK and EEA from its service centres in Stoke-on-Trent and Wissous and later this year from Heinsberg.
150. [REDACTED]
151. **No intangible assets**, and in particular no intellectual property rights, or research and development capability, are necessary for the operation of the Veolia European MWS Divested Business as a viable and competitive business.
152. Branding is not important in the mobile water services market, in particular as the customers are largely made up of industrial players whose primary objective is to obtain a reliable and high quality service at the best possible price. The ability to attract customers is mainly based on the level of experience of the sales and technical teams. These are therefore not key assets of the MWS Divestment Business. In any case, Saur, with whom Veolia entered into a put agreement, has a strong brand in the water sector, including through its subsidiary Nijhuis who is already present in this sector in the UK.
153. **There are very few continuing links** between the Veolia European MWS Divestment Business and the other businesses controlled by Veolia. One potential continuing link is the sub-lease of a part of the Wissous premises. The purchaser will sublet the premises from Veolia. The sub-lease will be concluded on the same conditions as, and for the entire duration (including any extension or renewal) of, Veolia's existing lease. In addition, Veolia will transfer ownership of the regeneration facility for mobile units at Wissous to the purchaser limited
154. There will be no continuing links in respect of the Stoke-on-Trent site (subject to a limited transition period covered by reverse TSAs and expiring on 31 March 2023, at the latest), which will be transferred in its entirety to the purchaser. Other VWT activities will be relocated to the Suez site in Peterborough.
155. There will be no continuing links between the businesses in relation to contracts, assets, personnel, IT and other systems, customers or administrative and other support functions (except that where necessary, and at the request of the purchaser, Veolia will arrange TSAs for a standard period, at cost price).
156. These TSAs [REDACTED] cover support functions of finance, HR, IT, QHSE and real estate services between the Veolia European MWS Divestment Business and the VWT business in the EEA (specifically, Belgium, France, Germany, Italy, Norway, Poland, Spain, Sweden, the Netherlands and the UK). There would be no TSA relating to the global MWS business: there are no links between the Veolia European

³⁴ [REDACTED]

MWS Divestment Business and the remaining Veolia MWS business which is organised by regions (Americas, Asia-Pacific, and Middle-East.

157. [REDACTED] Veolia notes that Solys UK shares certain IT services with VWT, namely (i) project management software (Latis), (ii) enterprise resource planning software, (iii) a suite of productivity and sizing tools and software (Google Environment), (iv) customer relationship management software (Salesforce) and (v) computer aided design software (AutoCAD type). Veolia is already providing transitional IT services for Solys and is available to enter into TSAs where required, on arm's length terms and for a maximum duration of [REDACTED] years.
158. Due to the nature of the mobile water business, the links between MWS and activities in other water management technology markets (within the EEA and globally) are insignificant.
- **Contractual Links.** Customers never link the provision of mobile water services with other services provided in the water management or in the water management technology markets. Customers typically contact mobile water service providers directly, in particular since it is often required in emergency or short term instances. For Veolia specifically, if the Solys workshop at Stoke-on-Trent is included in the Veolia European MWS Divestment Business, Veolia notes there are no contractual links since Solys does not have a customer base; it is used exclusively for the supply of technological solutions to various VWT entities.
 - **Technical Links.** Vertical integration does not provide any advantage in the mobile water services market, since the mobile water units are interoperable with all water treatment facilities, regardless of designer or supplier.
 - **Economic Links.** The economies of scale associated with vertical integration are limited, as evidenced by the fragmented nature of the mobile water services market which includes a range of competitors.
159. [REDACTED] the Solys workshop at Stoke-on-Trent [REDACTED] needed to manufacture mobile units used by the MWS Divestment Business at the Stoke-on-Trent site (as well as mobile and non-mobile technological solutions). There are a few technological solutions that cannot be manufactured at Stoke-on-Trent, which will be provided for through supply agreements with VWT [REDACTED]. In any event, the technological solutions and equipment are highly standardised, so if the purchaser is not active in the supply of technological equipment and solutions, it could easily rent or buy those required. It is not necessary for the purchaser to manufacture these technological solutions to be competitive in the mobile water services market, all of the technological solutions are mature and, as a result, easily available to all in the market.
160. Veolia notes that there are no shared tangible or intangible assets between the Solys activities and any other Veolia entities, including in relation to the other Solys production and logistics sites.

161. **The water divestment businesses could be sold to a single or separate purchaser(s).** The NPR invites views as to whether the UK O&M Water Divestment Business and the Veolia European MWS Divestment Business should be sold to a single or separate purchaser(s). It is not necessary for the water divestment businesses to be sold to a single purchaser, as there are many suitable purchasers in each market. [REDACTED].³⁵
162. **The MWS Divestment Business Remedy is attractive to purchasers.** The EC commitments process has evidenced that no purchaser risk arises. On 29 April 2022, Veolia received binding offers for the Veolia European MWS Divestment Business from several potential purchasers. [REDACTED] Veolia [REDACTED] entered into a POA with Saur on 6 May 2022. Saur is a French group created in 1933 that designs and operates drinking water production and wastewater treatment³⁶ facilities internationally. Saur has been active in the market for mobile water services in the EEA since the acquisition of the Dutch group Nijhuis Industries in June 2020,³⁷ which provides EP services, operation and maintenance services and mobile treatment unit rental solutions.³⁸ Saur (Nijhuis) is also active in the UK in Industrial Water O&M.
163. **No asset risk arises in the Veolia European MWS Divestment Business.** The majority of contracts in the market for the supply of mobile water services are short-term contracts. [The vast majority] of the contracts concluded by VWT are for a period of less than one year. This both (i) reduces the impact of potential loss of contracts, which would come to an end in the short-term in any event, and (ii) discourages customers from changing suppliers during the service, as the time it would take to find a new supplier is long relative to the duration of the contract.
164. Veolia anticipates that only a relatively short transition period (a maximum of [REDACTED] years) will be required, during which time the Veolia European MWS Divestment Business will be able to continue benefiting from the services discussed above until it has agreed replacement services. Veolia is willing to allow the Veolia European MWS Divestment Business to continue to benefit from these services during the transition period through TSAs as needed and as requested by the purchaser, at cost price, for a maximum duration of [REDACTED] years, which may be extended by a further [REDACTED] years where the purchaser demonstrates that this is required, under the supervision of a monitoring trustee.
165. **The Veolia European MWS Divestment Business Remedy would be practical to implement and would not require ongoing monitoring.** As the remedy is structural, it could be implemented directly within a limited period of time, and there would be no need for ongoing monitoring.

³⁵ As explained above, the divestment of the UK O&M Water Divestment Business business would [REDACTED].

³⁶ In 2020, the group recorded revenue of €1.3 billion.

³⁷ www.nijhuisindustries.com/news/press-release-saur-acquires-nijhuis-industries-to-form-a-leading-player-in-industrial-water

³⁸ www.nijhuisindustries.com/solutions/modular-rental-solutions

166. The Veolia European MWS Divestment Business already operates as an independent business within the Veolia group. It is organised under various entities in VWT. The MWS Divestment Business has limited operational links with the wider Veolia business, as further explained below. Accordingly, the divestment would be straightforward to implement and the scope and duration of any transitional service agreements would be limited.
167. [REDACTED]
168. [REDACTED]
169. Two permits relating to discharges from the regeneration facilities may be transferred to the purchaser:
- **Stoke-on-Trent.** The purchaser will need to obtain a permit from Severn Trent (a water management company based in Coventry) for the effluent discharge from the Stoke-on-Trent site, as the existing permit is not transferable. Veolia does not anticipate any difficulty in obtaining the transfer of the permit to the purchaser.
 - **Heinsberg.** Veolia will transfer the discharge permit for the regeneration facility to the Purchaser, which is currently related to Veolia's industrial park at the site.
170. **The Veolia European MWS Divestment Business Remedy could be implemented quickly.** Please see Section V(B) below for an explanation of how Veolia would ensure an effective divestiture process that will protect the competitive potential of any divestiture package before disposal and will enable a suitable purchaser to be secured in an acceptable timescale.
171. **The Veolia European MWS Divestment Business Remedy would be proportionate.** The Veolia European MWS Divestment Business effectively eliminates the provisional SLC identified by the CMA. It includes only a small number of peripheral non-MWS activities, which are adjacent to VWT's MWS activities in the UK (for example, the Solys workshop which manufactures some technological solutions used in MWS activities, although these would not be necessary for a purchaser to compete effectively). It does not include irrelevant business activities beyond those required to eliminate the provisional SLC.
172. The NPR invites views on whether the Veolia or Suez MWS Business should be divested. The Veolia European MWS Divestment Business is the most effective, proportionate and practical divestment option. As set out, it will resolve the provisional SLC as set out in the PFs, it will be straightforward to implement, and it is a structural remedy, and so would require little ongoing monitoring.
173. The NPR also invites views on the potential carve-out and separation risks associated with the implementation of other potential divestiture options, including a divestment of WTS's mobile water business. Since Veolia is already required to divest its European MWS business under its commitments to the EC, an additional divestment of the WTS MWS business would be unnecessary and disproportionate.

If Veolia were required to divest the UK WTS MWS business as well, it would be left with no mobile water activities in the UK at all.

174. **No upfront buyer is required.** The Parties submit that divestment to an upfront buyer is not required for the Veolia European MWS Divestment Business. The business attracted interest from a number of suitable purchasers with experience in the water sector. As noted above and previously indicated to the CMA, Veolia [REDACTED] entered into a put option agreement with Saur on 6 May 2022. Saur is an experienced player in the water sector, with businesses in the UK (including through Nijhuis), which Veolia considers would be a highly suitable purchaser from a UK perspective as well as in Europe.
175. **No alternative divestment package is required.** The NPR notes that the CMA will consider whether it is necessary to make available an alternative divestment package, for example if there is doubt as to the marketability of the initially proposed divestiture package or where a business is subject to major asset risks and the speed of divestiture is likely to be a critical requirement.
176. None of these factors apply to the Veolia European MWS Divestment Business. Through the EC commitments process, it has proven to be a highly marketable package [REDACTED]. There is no major asset risk, in particular due to the short term nature of the mobile water services market. Finally, Veolia is keen to proceed quickly with the divestment of the Veolia European MWS Divestment Business.
177. In summary, the Veolia European MWS Divestment Business remedy would be a viable, standalone business capable of competing effectively in the MWS market, have an acceptable risk profile, and would be the most proportionate solution to the CMA's provisional concerns.

C. Other Divestiture Options for Water would be Disproportionate

Broader divestiture of WTS, Veolia UK&I or VWT would be disproportionate

178. For a remedy to be reasonable and proportionate, the CMA will seek to select the least onerous remedy, or package of remedies that addresses the CMA's concerns.³⁹ Further, under the CMA's merger remedies guidance, where the CMA is choosing between remedies that are equally effective, "*it will select the remedy that imposes the least cost or that is least restrictive.*"⁴⁰
179. In the NPR, the CMA has included the full divestiture of WTS globally as a possible remedy. The CMA considers that this could resolve what they provisionally conclude are likely SLCs in the Industrial Water O&M and MWS sectors. Veolia strongly disagrees with the CMA's provisional conclusions that SLCs will result from the merger in these sectors. In the event that the CMA reaches this conclusion in its Final Report, however, the full divestiture of WTS globally is entirely unreasonable and disproportionate.

³⁹ CMA87, paragraph 3.6.

⁴⁰ *Id.*

180. **Less onerous, effective remedies are available.** The divestment of Veolia's UK O&M Water Divestment Business and the Veolia European MWS Divestment Business would be fully effective in addressing the SLCs, which are limited to Industrial Water O&M and MWS. Of the divestment options proposed by Veolia and the CMA, the sale of the UK O&M Water Divestment Business and the Veolia European MWS Divestment Business are effective remedies that are much less onerous than any alternative. As explained, these options would address the alleged SLC in full. The other full or partial divestment options presented by the CMA go far beyond resolving the SLC and would be unduly restrictive and disproportionate.
181. **Broader divestment is disproportionate to the size of the overlap.** This applies whether the broader divestment package consists of WTS or VWT globally or any broader Veolia divestment package.
- **WTS.** The overlap between the Parties in UK Industrial Water O&M is a tiny fraction of WTS's global revenues of approximately £2.5 billion. [REDACTED]. A global divestment of the WTS business would therefore be entirely disproportionate. The overlap between the Parties in MWS is also a tiny fraction of WTS's global revenues. In 2019, WTS's combined UK and EEA turnover from its MWS activities was only [REDACTED].
 - **Veolia and VWT.** The overlap between the Parties in UK Industrial Water O&M is also a tiny fraction of Veolia's IWE's revenues of [REDACTED] in 2021. A broader divestment would therefore be entirely disproportionate, given that the UK O&M Water Divestment Business would be effective, practical and proportionate. The overlap between the Parties in MWS is again a tiny fraction of VWT's global revenues of [REDACTED] in 2019 and 2020. In 2019, VWT's UK and EEA turnover from its MWS activities was only [REDACTED]. A global divestment of the VWT business would therefore be entirely disproportionate.
182. **The divestment process for a broader divestment package would be complex and high cost.** The sale of the UK O&M Water Divestment Business is straightforward to implement [REDACTED]. In contrast, a divestment business that goes beyond the UK O&M Water Divestment Business would be more complex and time-consuming to implement. Veolia's business lines are not mapped onto legal entities and combine many different business activities. To address this for its proposed divestment, Veolia will transfer the UK O&M Water Divestment Business into a single legal entity (subject to CMA consent), reflecting the standalone nature of the business.
183. For example, the IWE business line is a broad umbrella that covers unrelated businesses, including for on-site waste management services for industrial customers, industrial site services, decommissioning services, municipal and Ministry of Defence water management services and energy services. Nor is there a single holding company for the IWE business line. The contracts and assets that fall under this broad business line are held by a number of different legal entities, with a large number of its Industrial Water O&M contracts held by Veolia's main waste operating legal entity, Veolia ES (UK) Limited. Requiring the divestment of Veolia ES (UK) Limited would be entirely disproportionate. The vast majority of its

business activities are unrelated to the provisional SLCs for the supply of Industrial Water O&M in the UK. Further, this entity had a turnover of over £1 billion in 2021, compared to Veolia's revenues from its UK Industrial Water O&M business of only [REDACTED] million.

V. Ensuring an effective divestiture process

184. The NPR invites views on ensuring an effective divestiture process for the UK Waste Business and the Water Divestment Business. Veolia sets out its response below in relation to the (i) Waste and Water Divestment Businesses and (ii) the separate MWS Divestment Business.

A. Waste and Water Remedies

185. **Timing.** Veolia considers that a [REDACTED] period should be sufficient for it to be able to implement the sale of the Waste and Water Divestment Businesses.

186. **Monitoring Trustee.** The Waste and Water Divestment Businesses are already subject to the CMA's IEO and monitored by a trustee. While Veolia does not believe that a monitoring trustee would be needed to ensure that the operations and assets of the Waste or Water Divestment Business are maintained and properly supported during the course of the process, it has no objections to the monitoring trustee already appointed remaining in place.

187. **Divestiture Trustee.** Veolia does not consider that appointing a divestiture trustee from the outset is appropriate.

- There are no unusual circumstances in this case that would warrant deviating from the standard position;
- The Waste and Water Divestment Businesses are attractive and profitable packages containing all elements necessary to comprise viable standalone businesses;
- The waste and water markets in the UK and the rest of Europe contain an array of competitive and well-capitalised businesses looking to make a strategic acquisition. Veolia considers there would be a broad range of potential purchasers for whom the Waste and Water Divestment Businesses would represent an appealing prospect [REDACTED]; and
- Veolia has already received numerous informal indications of interest in relation to potential waste and water divestments, including entering a put option with Saur in relation to the MWS business.

188. For these reasons, there is no reason to believe that Veolia will not be able to procure divestiture to a suitable purchaser within the implementation period.

B. Veolia European MWS Divestment Business Remedy

189. Veolia aims to coordinate the timing of the Veolia European MWS Divestment Business Remedy in order to comply with both the EC and the CMA's remedies processes.

190. On 6 May 2022, Veolia and Saur signed a POA. The POA gives Veolia the right, but not an obligation, to sell the Veolia European MWS Divestment Business to Saur. It binds Saur but does not require Veolia to enter into a sale agreement.

191. Annexed to the put option is a term sheet setting out the principal terms to be included in a final long-form sale agreement, including – as requested by the CMA – a condition requiring CMA approval prior to completion of the transaction. These terms are subject to negotiation in any final sale agreement.
192. Now that the put option has been signed, Veolia will consult with its works council regarding the transaction. In parallel, the long-form sale agreement will be negotiated with Saur. Once the works council consultation process is complete, Veolia will have the option whether or not to exercise the option and enter a sale agreement with Saur. Completion would be subject to CMA approval. A sale to Saur (or any other purchaser) would also require approval from the European Commission. Veolia would then have three months from the EC's approval of the purchaser to complete the divestment.
193. **Monitoring Trustee.** Given that Veolia has already identified a buyer for the Veolia European MWS Divestment Business, Veolia considers that there is little risk of deterioration of the competitive situation of the Veolia European MWS Divestment Business during the period of implementation. [REDACTED] Veolia nevertheless recognises that the MWS Divestment Business is already subject to the CMA's IEO and the business is already monitored by a trustee. While Veolia does not believe that a monitoring trustee would be needed to ensure that the operations and assets of the Veolia European MWS Divestment Business are maintained and properly supported during the course of the process, it has no objections to the monitoring trustee already appointed remaining in place.
194. **Divestiture Trustee.** Veolia does not consider that appointing a divestiture trustee is appropriate in this case for the following reasons: (i) the Veolia European MWS Divestment Business is an attractive package and Veolia received numerous indications of interest, (ii) on May 6, 2022, Veolia signed a POA with Saur, [REDACTED].
195. Based on the above, there is no reason for the CMA to believe that the divestment will not occur within the anticipated timeline.

Confidential Annex 1 - Overview of Saur's Industrial Water Activities

[REDACTED]

Confidential Annex 2 - Potential Purchasers of the Waste Divestment Business

[REDACTED]

**Confidential Annex 3 - Potential Purchasers of the UK O&M Water Divestment
Business**

[REDACTED]

Confidential Annex 4 - Veolia European MWS Divestment Business

[REDACTED]