

Agreements between European Environmental Firms, 1988-89

Companies	Type of agreement	Area
Thames Water (U.K.) — Ansaldo (I)	Joint venture	Environmental management
Walther(FRG) — Alstom (F)	Participation in a German firm	Emission treatment stationary source
Kruger (DK) — Hölter (FRG)	Joint venture	Air and water treatment
DDS (DK) — Lyonnaise (F)	Cooperation in R&D	Water treatment
Biffa (U.K.) — Antwerp Waste Management (B)	Joint venture	Urban waste disposal
Italgas (I) — Générale des Eaux (F)	Joint venture	Water treatment
TNEE (F) — Deutsche Babcock (D)	Agreement/German licence	Emission treatment
Lyonnaise (F) — Fiat Engineering (I)	Joint venture	Water treatment
ATV (S) — Northumbrian Water (U.K.)	Joint venture	Water treatment

B = Belgium
S = Spain
U.K. = United Kingdom

FRG = Germany
F = France

DK = Denmark
I = Italy

Source: Recherche developpement international.

There are a number of chemistry, construction and industrial giants gathered around this central group of businesses. While they are not heavily involved in the sector yet, their interest will probably grow in the future. In the meantime, many have started environmental divisions, for example, Focsa (Spain), Hozmann (Germany), Bouygues (France) and Wimpey (U.K.). Other major industrial groups that are involved include ASEA Brown Boveri and RWE (Rheinische Westfälische Elektrizitätswerke).

EC firms are often active in non-EC markets. A French firm is in the number one position in the field of water supply in North America, while a U.K. firm holds the number four position in the collection and treatment of waste. At the same time, a number of non-EC firms are doing very well in the EC markets. For example, non-EC firms hold 80% of the market in environmental control instruments.

With the harmonization of EC environmental standards and the liberalization of public procurement in the EC, the industry is becoming more concentrated and more international. There has been a proliferation of alliances and M&As between EC firms and numerous subsidiaries have been created. A large number of alliances with non-EC firms have also been formed. An example is the British-Canadian-American group formed under Atwood and Laidlaw.

Markets

Environmental services markets often open in the wake of legislation, flourish for a few years and then settle back to a subsistence level. As a result, the business is subject to

short cycles and few companies are able to focus exclusively on the sector or make long-term plans in it.

There are huge discrepancies between markets for environmental services in the different Member States of the EC. The German market is larger than the French and the U.K. combined, and 50 to 100 times larger than the Greek, Irish and Portuguese combined. These differences are caused by variations in population, industrial activity and wealth, as well as by the differences between the environmental policies of the Member States.

The most popular modes of EC market entry among non-EC environmental firms appear to be partnering or establishing a local office. There are a number of reasons for this. While strong demand will create many opportunities for Canadian environmental protection firms in the EC, Canadian firms in this sector are likely to find that their strategic options are limited by a lack of qualified engineers.

Exporting to the EC tends to work best in the small national markets or in the markets of Southern Europe. For Canadian manufacturers of environmental goods, direct exports to the EC will be more feasible for high-value, low volume goods. Otherwise, Canadian manufacturers would probably be better off establishing a manufacturing presence in Europe, most often through licensing or partnering with European firms, rather than through greenfield investments or acquisitions which tend to be more risky and expensive.