

# What drips! Will no one crack down on these inept water firms?

By EDWARD HEATHCOAT AMORY, Daily Mail 08:45am 22nd June 2006

Thames water is a bad advertisement for privatisation.

Yesterday, the monopoly supplier of water to Britain's capital city saw profits rise by 23 per cent. Meanwhile, it failed dismally to meet its performance targets and has imposed a hosepipe ban on customers who, last year, were hit with a 20 per cent price rise.

Every warning issued by the critics of water privatisation is apparently coming true. But it's not privatisation that is to blame. Instead, it is years of weak and inept regulation.

In theory, consumers are protected by the water regulator Ofwat. But this toothless quango, led by a former civil servant and Anglican lay preacher called Philip Fletcher, has conspicuously failed in its duty.

Thames Water was bought six years ago by RWE, a German utilities giant. Since then, the company has removed almost £1billion in dividends, with the money returning to Germany (£256million this year alone).

At the same time, this monopoly supplier has raised prices and kept investment to a bare minimum. Later this year, the bosses hope to sell the company for £8billion. Perhaps they sense that they are not going to be allowed to get away with daylight robbery for much longer.

Water companies in the South East of England face two main problems. Rising demand, as John Prescott allows millions of new homes to be built without giving the slightest thought to how they will be supplied with water, and leaks.

The staggering truth is that in London, one third of all the water that Thames pumps into its pipes seeps away before it gets to homes and businesses.

For three dismal years in succession, Thames has failed to meet the targets set by the water regulator to cut leaks. This year is no exception. Previously, the regulator has done nothing.

## **Pathetic**

But now, aware of public anger caused by the hosepipe ban, the regulator apparently encouraged wild talk that Thames could be fined up to £140million. But on past form, there isn't the slightest chance of Mr Fletcher carrying through this threat. In fact, even the targets set by the regulator for cutting leaks are pathetic.

At its current rate, it will take Thames Water 128 years to replace its decrepit pipe network. Yet Ofwat - one of whose non-executive directors is a former customer services chief at, yes, Thames Water - has set its targets so low that only two water companies have failed to meet them. This is despite the fact that on average, one quarter of our water - 500 pints per home per day - leaks away.

Problems have been compounded by financial regulation. At the time of the last major review, in 2004, the regulator agreed to keep both consumers and water companies happy by limiting the price increases.

But this meant the money available to firms to invest was radically cut. For example, the amount Thames was being asked to spend on investment was reduced by by £1.4billion.

The result was big profits for the firms, slightly lower customer bills - and a huge crisis due to water shortages.

So what's the answer? First, we need a regulator prepared to get tough on the water firms, to force them to make the necessary investment and, if they don't, confiscate their profits in fines.

Second, we need a government that makes a realistic assessment of water demand before giving the go-ahead to thousands of new homes in the South East. Third, we need to crack down on the one in ten customers who don't bother to pay their water bills.

Finally, if the water industry is to remain in the private sector, there must be genuine competition. If people can switch gas and electricity suppliers, why not water suppliers as well?

Admittedly, that would require splitting the water companies, with one firm owning the delivery pipe work and the other supplying the water itself, but it has worked for other services, so why not water? Without these changes, we should expect continuing water shortages, steadily rising bills, and a nice little earner for whoever ends up owning Thames and the other water firms.

Drought Risk 2006 – Source: The Environment Agency