

After close scrutiny

Report provides solutions and approaches to help water sector address all of its challenges in a practicable and immediate way

Adversarial politics makes entertaining copy for the media. From the exchanges across the Commons at Prime Minister's Questions to the claims and counterclaims whipped up into matters of life and death by the sub-editors, it is easy for a casual observer of the Westminster village to believe that views on every issue there are polarised sharply into at least two camps.

The evidence would suggest otherwise. Behind the Punch and Judy shows, there is a wealth of cross-party collaboration and consensus. There are the Select Committees in each House, for example, which draw together Members from across the parties to scrutinise the work of government departments. And there is a raft of cross-party working groups, whose membership can extend across both Houses and reflects a complete spectrum of political interests.

The fact that these groups are recognised as an integral part of the parliamentary process gives them the gravitas to attract expertise at a level which few think-tanks or pressure groups outside Westminster could hope to command. The reports they publish are read with real interest by the community they address and their findings are generally accepted.

All of the key players in the subject area under review can make representations to the working group, and their views noted. If the report disagrees with a viewpoint expressed, the grounds will be set out in measured tones: there may have been a difference of opinion but it will have been expressed in a considered and apolitical manner.

A working group that works to its remit will be seen as platform for developing and maintaining dialogue between the key political influencers in its sector and its stakeholders.



The Informed Executive examines the conclusions of the All Party Parliamentary Water Group's Inquiry Report Scheme

expert opinion and intellectual rigour lend weight to the formulation of government policy

Water is one of those subjects that should benefit from the kind of scrutiny that an all-party approach brings. It is sufficiently important that any investigation into the future of the water industry demands a spectrum of expert opinion and the intellectual rigour to reach conclusions that lend weight to the formulation of government policy.

Parliamentary Water Group

The All Party Parliamentary Water Group (APPWG) is the vehicle which set out to provide that framework when it was established in 2004 as a contributor to the water policy debate. Its team of four parliamentarians is drawn from across the political divide: two Labour and one Liberal Democrat MPs, and one Conservative peer.

As with most working groups, the APPWG draws on the operational and financial support of interests in the arena under scrutiny, but under parliamentary rules designed to ensure complete transparency.

Its stakeholders include water companies, consumer bodies, environmental groups and trade unions: their collective input is intended to raise the profile of water issues within Parliament and Government in a non-partisan manner.

Without the support of the organisations prepared to fund the group's activities, such a body could not hope to maintain its momentum. With that backing, however, the APPWG has succeeded in developing a programme of meetings and other activities on issues affecting the water and wastewater industry as well as relevant supply industries.

APPWG meetings in Parliament have been addressed by a range of high-profile guest speakers from across the sector, including

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universities, think tanks and trade unions. The role that the group now appears to be playing in the policy debate is reflected in the extent to which the report from its inquiry into the future of the UK water – published in April 2008 - has been accepted by all of key stakeholders involved.

Timeliness of inquiry

In its introduction to the report, the group stresses the timeliness of its inquiry. “Faced with a multitude of considerable challenges, decisions have to be made now to enable the sector to meet them head-on while ensuring that the most sustainable solutions are found.

“The impact of climate change is clearly at the top of the agenda. It is one of the most pressing issues of the 21st century and is undoubtedly of major political concern with wide-ranging implications for various policy areas and sectors.

“This means that all policymakers need to seriously consider how to mitigate the impact of climate change and how to adapt to it.

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Government should consider reviewing role of tax and benefits system in helping customers pay their water bills

The APPWG has been chaired since 2007 by Elliot Morley MP, a long-serving former Environment Minister, who sees the work of the group as a constructive attempt to address the most pressing issues facing the water sector in the UK.

Not least amongst those issues is the negative public attitude towards water companies which follow from rounds of rising prices, leakages and well publicised incidents of financial irregularities.

Meeting challenges in key areas

If water is to have a sustainable future that can support the demands placed on it in the UK, Mr Morley believes, it must be prepared to meet challenges head-on over affordability, efficiency, flooding, resource management and the regulatory system.

One of the most serious of those demands, according to the data available to the group, is the current level of water usage. Domestic users account for 52% of all UK water usage, drawing down 7.8 million litres every day.

Translating that figure into personal consumption, that is about 160 litres every day, or a tonne of water every week. Helping consumers of every type reduce that figure without prejudicing health, food production, leisure activities and industrial processes is clearly a priority for the water industry and has attracted the attention of the APPWG.

As the Chairman noted, the report was intended to provide solutions and approaches that could help the water sector address all of its challenges in a practicable and immediate way. "We have worked closely throughout the inquiry with all key stakeholders. Along the way, the group examined best practice in other sectors and overseas.

"It follows that the report which came out of that process has been able to put forward solutions which will promote greater sustainability. The consumer has been central to all our considerations."

Timing is of the essence for most of the aspects of water management covered by the group in its inquiry. The chairman highlighted water metering in this context. "The need for the universal metering of water supplies is one that the Government should recognise and then implement as soon as possible. Priority must nonetheless be given to the water stressed areas and water companies that have particular affordability issues.

"A combination of metering and social tariffs will both support vulnerable consumers and improve energy efficiency savings."

Universal metering advocated

The group believes that universal metering alongside an alternative tariff system would be a significant step towards increasing affordability and efficiency in the water sector.

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Addressing the needs of the private consumer, Elliot Morley identified a need for fine-tuning the tax system. “We are asking the Government to consider reviewing the role that the tax and benefits system could play in helping customers struggling to pay their water bills, as part of its review into metering and charging. This could tackle any residual problems which cannot be addressed by appropriate tariffs.”

There is clearly a substantial cost associated with installing metering in every household but, as Mr Morley observed, it is essential if there is to be a more sustainable system of domestic water use and a more equitable system of charging.”

The APPWG identified another, more subtle, reason for advocating universal monitoring. It believes that communications between customers and water companies will improve - particularly as the underlying metering technology becomes more sophisticated.

Digital monitoring of water

The group believes that better use could be made of digital technologies, such as digital readers, which could give direct, up to date readings of water usage while providing information to customers about how to reduce consumption.

It argues that the UK should be taking the lead in developing this technology further. From an investment perspective, this would not be a case of starting off from first principles: the technology already exists, and can be implemented cost-effectively, for remote data monitoring to provide customers directly with minute-by-minute information about their water consumption.

The prospect of universal water metering for private customers is unlikely to be received

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well by a consumer base that could see metering as a covert way of increasing water company revenues; the widely-held view being that bills are necessarily greater when meters are introduced.

Water charges fall after metering

The APPWG Chairman was keen to refute that claim, citing evidence that water charges fall after meters have been installed, yielding a financial benefit to the end user.

It is difficult to equate total water charges before and after metering on a same-volume

Elliot Morley, MP, is Chairman of the All Party Parliamentary Water Group (APPWG)

Better use could be made of technologies, such as digital readers, which could show water usage in real time and give information to customers about reducing consumption

R&D investment in the UK water sector had fallen by 60% between 2000 and 2007

basis, however, as part of any savings come from a conscious attempt to reduce the amount of water consumed when it is appreciated that water is being paid for by the litre.

"That is certainly true at least in part as consumers examine more closely how they use water at home. There is much more to be done in this direction, however. Consumers are familiar with choosing the most energy-efficient domestic equipment – dishwashers and washing machines, for example – so it would be wholly reasonable for them to apply similar criteria when assessing the water efficiency of appliances.

"One of the group's recommendations is for the development of water-efficient labelling, to give the consumer a clear indication of water economy when purchasing products such as washing machines, dish washers, taps and showers."

Where bathroom appliances have a double-flush action, consumers are more careful about using the appropriate option each time. The APPWG expressed deep concern that it was still possible to purchase single flush toilet systems in the UK and wanted to see the Government take a lead in phasing out these products immediately.

Industrial use of water

Water efficiency is not a issue confined to the domestic scene. While industrial users of water are fully metered, there are no incentives other than seeing their water bills fall for industrial sectors and individual companies to

adopt voluntary targets for improved water efficiency and the reduction of water.

Elliot Morley welcomed the Water Efficiency Awards 2009, a competitive scheme run by The Environment Agency to encourage businesses to think about their water consumption and take action which will improve their performance. "The Awards draw executives' attention to the need for economies and the most successful enterprises will be highlighted. I hope to see a significant number of entries for the 2009 round of awards". (More information about the scheme, which closes on October 31, can be found on page 46 of this edition.)

No inquiry into the future of water in the UK could be complete without consideration of the sector's continued vulnerability to flooding, particularly from problems with surface drainage. The APPWG report therefore calls on the Government to address immediately issues around surface water drainage and clarify both ownership and maintenance responsibilities for sustainable urban drainage systems (SUDS) as well as the transfer of private sewers.

Investment decisions

The report recommends a radical change to the process by which investment decisions are made. As Elliot Morley explained, there is currently a system of five year Price Reviews under which the water companies attempt to justify the charges they intend to levy based on their business plans and projected programme of capital investment, "We feel that the review process should be split so that the vendors develop a longer term focus looking at ten years of capital expenditure.

"The Price Review and capital expenditure analysis would form part of more detailed twenty five year Strategic Direction Statements. That would be a sufficiently long timeframe to allow a sustainable approach to investment in the sector. This would address the concerns raised by a number of sector's

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stakeholders about the correct balance of investment. More specifically, it would protect customers over the medium and longer term."

Falling investment

Working within the five year windows that the present regulatory regime requires, the water companies are less inclined to invest in innovative technologies.

Evidence to the APPWG during its inquiry showed that R&D investment in the UK water sector had fallen by 60% between 2000 and 2007. Morley again: "More needs to be done to incentivise innovation. The water sector could draw on the precedent created by the energy sector, which provides greater levels of support for innovation, essentially through the medium of an innovation fund."

Without question, the UK water sector will encounter significant challenges over the coming years. Climate change and a reduction in water resources are two of the factors involved, as are demographic change and an infrastructure which is beyond its prime and in need of extensive restoration.

The APPWG would contend that the recommendations it has made in its inquiry report are all practicable and deliverable. For all the group's demands that Government acts quickly to implement change, it will still take years – and in some cases decades – to see the strategy it is recommending materialise.

Few observers would question, however, whether the APPWG has asked the right questions and drawn the right conclusions. §

The group is always interested in extending its reach and fostering new partnerships. For further information about the group and its activities, please contact the APPWG secretariat through: Tessa Rodewaldt/Adam Thomas
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Time for action and reforms to meet challenges

It is undoubtedly true that the water sector in the UK is currently facing a number of significant challenges and will continue to do so over the coming years, not least from the effects of climate change and reducing water resources but also from demographic change and an ageing infrastructure. The group is convinced that this is the time for action and believes that a number of reforms could be made which would greatly contribute in meeting these challenges. By analysing the most pressing challenges and offering recommendations, we believe we have provided a list of solutions and approaches that are all practicable and deliverable.

Consumers at the centre

Throughout this report, the group has looked to ensure that consumers, whether domestic or non-domestic, are placed at the centre of any future developments in the water sector in the UK. As investment for the sector comes directly and indirectly from customers, we feel it is imperative that they play as full a part as possible in decisions affecting the sector at every level. We believe that such an approach will result in customers feeling that they have an important role to play in the development of the sector. This will hopefully ease some of the negative tensions that appear to have influenced relations between customers and companies and therefore increase consumer confidence and the corporate reputation of the water industry.

Encouraging partnerships within the sector

The group would further like to encourage more partnership work between all those involved in the sector. We have heard how such an approach would lead to a greater coherence of thinking and aid planning and investment. The group is concerned that there is a continuing attitude of 'winners and losers' and that the sector is currently making unnecessary and inefficient compromises. The group has therefore highlighted a number of areas where it believes a more collaborative approach between stakeholders would lead to improvements in decision-making and crucially the implementation of those decisions.

Sustainability

The third broad area which the group has focused on is that of sustainability. The challenges that the sector faces are longterm and will develop over many years. These challenges therefore need to be met with long-term solutions in the most sustainable way possible. This requires us to have a clear idea of current challenges and importantly a coherent framework for the development of solutions to meet those challenges. The group recognises that the recommendations of restructuring the Price Review structure are controversial and revolutionary in what they propose, but we firmly believe that such an approach offers the best way forward.

Solutions can be found

The group believes that 2008 will be a definitive year for the UK water sector. We have already seen the publication of the Government's water strategy which will soon be followed by the 2009 Price Review, further studies by both the Government and Ofwat on competition, a review of metering and charging and the Environment Agency's continuing work on water resources, to mention but a few. It is essential that from all these developments a coherent, long-term strategy emerges with consumers at the heart of this process. In conclusion, the group realises that challenges are undoubtedly immense, but are not insurmountable. We firmly believe that the solutions can be found as long as action is taken coherently and is taken now. §.