

Water UK Innovation Hub
13 July 2010

Meeting Future Challenges
Pamela Taylor, Chief Executive

Welcome to the first Water UK Innovation Hub.

This is an important event for the industry. We're going to need every innovative idea we can muster to keep moving forward with the challenges we're facing and the austerity policies that are affecting the whole economy.

Before I say something about this, I would like to thank Tony for his introduction – and for taking a leading position on innovation on behalf of his own company and the industry.

I can't stress enough that leadership is vital if we're going to achieve a step change in innovation. We need leaders in companies and the supply chain, but also in government, regulators and stakeholder groups. We are all partners in this.

The fact is that tried and trusted methods just won't be enough. This isn't to question the industry's great record in finding new ways of doing things – just the reverse – we wouldn't be where we are today without innovation.

Last month Water UK launched 'Meeting Future Challenges' – our blueprint for policy change. It's a two-year project to make policy more relevant – but it starts from the idea that we've built a strong foundation for the future and innovation was a big part of the story.

A strong foundation is a great place to start a change programme, but it will still leave us exposed if we don't consciously seek out new ideas. The reason is that the challenges we're facing are new. Whether it's ever-higher water quality standards...Or managing surface water drainage...Or managing supply and demand AND holding prices down...Or reducing emissions...Or adapting to climate change...the scope for resting on our laurels is nil.

What has worked in the past has created a deep well of experience and expertise. We'd be mad not to draw on it now. But, to put it bluntly, it still won't be enough.

Most people agree that the time is right for a change of approach to embed a culture of innovation in the industry.

We have a much better understanding of climate change and demographic change – and we all know these are the two factors that ultimately set the agenda. But other factors are also at work. The justified expectations of 21st century customers....the changing political context.... the great fiscal consolidation – So... everything points in the same direction – towards new thinking throughout the business.

We can't do it by ourselves. We need to create new partnerships and reinforce old ones. It won't happen overnight either - it has to be a long-term commitment by our long-term industry.

The pressures on us are certainly here to stay – but also demand immediate action. Take reducing carbon emissions to mitigate climate change. This is now an essential part of doing business for all sectors, but for us it's a fixed part of the industry's ethos. But despite all the efforts, the science shows a minimum 2 degree rise in temperature by 2050. This puts adaptation centre-stage.

Think also about the growing population – the latest forecast is 70 million of us UK citizens by 2030.

The only conclusion is that water resources will become even more critical – especially in the designated water-scarce areas – although the effects of the driest half-year since 1929 in the North West show that the problem can appear anywhere.

But pressure on water resources is only half of it. We're also promised more frequent, extreme rainfall which will put the whole drainage infrastructure under pressure. The traditional solutions for this are bigger and bigger pipes and more and more storm tanks. But the costs would be open-ended and there is no guarantee of success. The only answer is fresh thinking and working with other players to find integrated solutions.

Fortunately, we aren't starting from a blank slate.

We have the PR09 Strategic Direction Statements which are based on research with stakeholders and a huge amount of new thinking and planning. The statements are an innovation themselves because they range across the whole business and take climate data into account for the first time.

We have 25-year Water Resource Management Plans which also take account of the future pressures. These will be updated as the climate change scientists provide even better information – for example, we still don't really know much about the frequency and duration of droughts in the future, especially at regional level.

And we have River Basin Management Plans courtesy of the Water Framework Directive and the Environment Agency. These plans could have been trailblazers for new ways of managing our water courses. Disappointingly, they didn't live up to expectations, as the National Audit Office pointed out last week, but they have put integrated catchment management on the agenda and they will continue to be reviewed and updated. We must all commit to that.

We can use all of these initiatives, and the projects they've produced that are already up and running, to drive a fresh approach. We can also use the innovation road maps from UKWIR and others to show where innovation is needed most and what the priorities should be, for example, in engineering and process technology.

A word of caution at this point – it's important to realise that innovation doesn't have to be revolutionary. A lot of great work that leads to real change takes place step by step. One example might be the potential to adapt our systems and networks to make them more resilient. Another is making better use of existing assets – many people think we have a long way to go optimising asset use – and a lot to learn from other sectors.

So we have a great deal going for us and I'm convinced that the time is right too. There is a window of opportunity in the next couple of years to energise the sector and get people interested in different approaches.

For one thing, regulators and government are keen to move things forward. Ofwat is taking time between periodic reviews to learn lessons and look to the future through its Delivering Sustainable Water strategy. The EA is developing the second and third river basin plans for the Water Framework Directive. The Cave review emphasised the need for innovation and proposed radical changes to the industry's structure. Perhaps too radical? Perhaps not sufficiently resilient to political and economic change? We shall see.

We have a new government facing up to the most difficult financial situation for generations. It's going to make everything much tougher, but let's, please, see it as positively as we can. We know hard times can spur innovation and necessity really can be the mother of invention and I'm certain the water sector can take a lead here. I'm certain for two reasons:

First, we're part of a national economic infrastructure that needs massive investment. We already know we're going to have to work more closely with other sectors – well, I believe we have the experience to take the innovation case to them (and indeed to ministers, who must value people and organisations with the ideas and commitment to get on and modernise without tax-payer support).

Second, we have unique experience in planning and managing investment in environmentally sensitive areas. We often under-sell this as a core competence, but it's actually something that's bound to get more and more important.

For instance, it's not at all surprising that the government is planning to accept the recommendations of its Green Investment Bank Commission as a way of increasing funds for national projects. Everyone knows that modernising the infrastructure is vital for growth – but if we also want to create long-term wealth, then getting the environment part right is no longer an option. By coming up with new solutions, we can make our systems better for people and better for the environment in the UK – but also in the rest of the world, when our ideas are exported.

We also have a great research base here – in the companies, in the supply chain, in the consultancy and construction sectors, in the universities and, of course research organisations. In order to drive innovation forward we need to create a progressive environment for that innovation.

You won't be surprised to hear that, for me, the companies will be at the heart of this. We manage essential, public health services and we have a duty to put safety over short-term gain, and what works over what might work.

But we can, and will, be more efficient and innovative in our business models and projections - and our record shows what is possible. But as I mentioned, we can't do it alone.

For example, the Pitt Review of the 2007 floods said that the way forward was through integrated approaches. In future, communities can't build flood defences separate from surface water and foul water drainage. Together, we have to think integrated infrastructure and how to retrofit existing assets. Together, we have to learn how to integrate SUDs into existing green, brown and blue space.

The Technology Strategy Board is working with the sector to build a business case for public investment in innovation across the water sector. The case depends on whether the sector will adopt and implement new solutions that can create wealth for UK plc, at home and abroad. Water UK wholeheartedly supports this effort, but whatever happens in practice about public investment, the potential for action involving the whole sector is encouraging.

Last week I went to the first meeting of a new 'Water Sector Innovation Leadership Group' with Ofwat, the EA and DWI. The government is represented by Sonia Phippard who will be talking to us later, but also the Chief Scientist which underlines the importance of working across government.

The point of the group is to cut through the barriers that come from different interests acting independently to meet their own goals. So the first step was to identify the priorities we all share. This is easier said than done but it is necessary, because we know you only get real innovation from looking at things in a fresh light - which means through other people's eyes. The joint priorities should help us set up some new partnerships with players who wouldn't normally work together.

I'm confident the new group can help the industry build on its record of past innovation and to develop that new framework for overcoming the new challenges we're facing.

A moment ago, I mentioned the Water UK 'Meeting Future Challenges' project and I would like to end by explaining how this fits with today's agenda. Meeting Future Challenges is a programme of policy change for the next two years that will help us raise our game for the next twenty years. It's a natural part of the innovation agenda and part of the context for today and the whole idea the Innovation Hub. The challenges we have set out are the ones I've spoken about – above all climate change and growth.

The way forward we are proposing depends on two big steps forward. First, transforming our engagement with customers and water users. Second, improving our productivity through better incentives, more flexible regulation to meet higher standards with fewer resources, and building confidence among investors.

These are real changes and need real innovative thinking. But everyone will benefit – which is why we've set up the Water UK Innovation Hub. I hope the initiative will support the case for change in 'Meeting Future Challenges' by creating new partnerships with existing and new colleagues such as the Technology Strategy Board.

Water UK wants to maximise the value to society of what is already among the best water industries in the world. To do this, we need to make the most of the business opportunities available to the sector home and abroad. And to do this, we need the best new ideas and ways of thinking

Thank you – and welcome to the Water UK Innovation Hub.

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