



Source 2008

Lancaster House London, Thursday 29 May 2008

Pamela Taylor, Chief Executive, Water UK

Can I start by thanking you, Secretary of State, for an inspiring speech. It is a great encouragement to know that you and your colleagues truly understand the importance of water services to society and the economy and that you have a vision for the future.

Restoring involvement (1)

My theme this evening is that if we are to serve the public better we must involve the people more.

Forty years ago, when water services were to a large extent accountable to local authorities, people took a more active interest in how their water was managed. If they had a complaint they could take it to their local councillor and if the response was inadequate, they could vote the councillor out of office.

Today, the service is much more efficient and much more reliable. But research shows that the only real contact most people have with water services is when they pay the bill. We have to restore that sense of ownership. The people we serve must play a bigger part in the decisions we make. There needs to be a more informed and interactive relationship between the public and the water services.

The Challenges that we will present this evening will show why this is so important, and I will propose that all stakeholders should now to work together to make it happen.

Since we met at Source 2006 we've made significant progress. The industry, the government and our regulators now all have long-term strategies. This is a big step forward because water customers never really benefit from short-term fixes and the consumer features in these strategies more prominently than ever before. But now that the strategies are in place it's time to take the next step.

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We still see people through the lens of our individual organisation goals as consumers, or bill-payers, or capital providers, or polluters, or even voters. This is understandable but it accentuates differences. It would be easier to deliver individual goals if we can also agree a common goal:-

To create more public involvement by restoring lost connections

- between people and the water environment, and
- between water and other essential activities

I'll pick this up again in a moment, but first let's look at those communities where these connections are only too real to people.

WaterAid

In March I was able to see for myself the terrible conditions our fellow human beings live in when I went to Mali. I was also able to witness at first hand the amazing work WaterAid does. It's every human being's human right to have clean water and sanitation. The film helps us to be optimistic that we can bring this about. Whether we're in the UK or developing the world we have to understand and work with the water environment.

WaterAid - Film

The Three Challenges

We shall present three challenges this evening:

- Environment : Climate Change
- Consumer Expectations
- Finance

Our first challenge is the Environment and climate change

Challenge One – Climate Change

Inevitably the focus is climate change, and I should confirm Source is a carbon-neutral event. Since Source 2006, we've come a long way, the EU has brought out a new climate change package and adaptation green paper. In the UK we have climate change bills as well as national and local government and business initiatives.

The companies in England and Wales have published water resource management plans which give everyone a chance to comment on how we're doing on climate change. Through Water UK and its Partners, particularly in this area MWH, the industry has been very active and successful and I'm delighted that John Craven is going to say more about this.

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But there are also some real challenges, in particular, reducing emissions, because growth and progress towards a cleaner environment are pushing companies to use more, not less, energy which kind of defeats the object.

And there's a need for more resilience and protection of critical infrastructure. So we certainly won't be easing up.

Waterwise

One thing that would be a great help, is if people knew more about their use of water, so I'm delighted that we're going to hear next from Maria Adebawale, chair of Waterwise. Waterwise is the NGO set up by the industry three years ago to make the case for effective water efficiency.

Maria Adebawale - Statement

Let's move to the second challenge – meeting consumers' expectations.

Challenge Two – Consumer Expectations

In 2006, the priority for everyone was encouraging the consumer voice. We knew that we needed to 'reach out' to consumers. It was never going to be easy and we had a serious drought and flooding to deal with in some areas, but we're doing it.

Now in 2008, we have a new task. We need to find out what consumers really expect from us. How can we anticipate their needs and concerns? This understanding is vital if we're going to involve people more.

We need consumer marketing skills but we haven't fully recognised that we do. We've taken refuge in the idea that tap water is different, and it is different from packaged drinks or processed food, but the consumer is the same, which means that our services are subject to the same expectations; the same opinions; and the same influences – including the media.

On the consumer challenge we're going to hear from BT, the Henley Centre and three national consumer groups.

Our final challenge tonight is finance.

Challenge Three - Finance

What have we achieved since we looked at this in 2006? The context is the scale of investment that's been raised since the main privatisation in 1989.

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Over the years companies found that they and their customers could benefit from more efficient capital structures particularly through higher gearing. Recently, this became even more attractive, the cost of debt fell to historically low levels and Ofwat set tighter efficiency targets which made it harder to increase cash flow by beating them.

So how do Investors see the Water Sector today? We'll be assessing the impact of the credit crunch and the gloomy economic outlook. We'll be asking if the recent conditions are so unusual that the cost of finance will be higher in future as a result.

Is there an infrastructure 'bubble'? Or do the prices paid recently to acquire water companies reflect permanent asset value? We have a panel of well-qualified people to help us answer these questions.

Our latest survey of investors showed the importance of stability and transparent regulation and worries about risk. Is the industry's structure suited to encouraging the innovation that companies need to tackle challenges such as climate change? But, of course, innovation is risky, so we have to provide the right returns.

If competition is part of the solution, we'll also need to be clear how it will affect sustainability especially if, as many people think, partnerships and cooperation are going to be more important.

Ofwat

The person who is undoubtedly one of the best placed experts to speak to all this is Philip Fletcher, chairman of Ofwat.

Philip Fletcher - Statement

Thank you Philip, you have spelled out again the ultimate aim of the industry and its regulators 'to serve and protect the consumer better'.

Restoring involvement (2)

This brings me back to my main theme that each of these individual challenges will be much easier to meet, if we can agree on that common goal:

To increase public involvement by restoring connections

- between people and the water environment, and
- between water and other essential services

Right now we have a great opportunity to do both of these. More and more people are becoming aware of the economic importance of the environment. Green thinking is no longer just for comfortably off, middle class people. People are actually beginning to understand that 'this could really affect me and my family'.

The result is a greater appetite for information particularly about real priorities such as avoiding water shortages or preparing to cope with flash floods. If we're prepared to work together, closely, we can use this development to increase interest and restore trust.

Now that's easy for me to say, isn't it? But if we're actually going to do it, it's going to take time and some hard decisions.

- We should decide to accept and not to fight ordinary people's perceptions and attitudes, and stop pretending that we know best;
- We should decide to promote the truth that, regardless of legal ownership, the water service benefits massively from private sector expertise – it really is a 'public service, privately supplied';
- But equally we should decide to revive the public's sense of rights and responsibilities by speaking openly about 're-connecting' people with their water and their environment.

This may sound unfamiliar or wrong-headed or even dangerous. But it isn't. In fact we are already going down this road.

- Companies are improving their conversations with consumers using consultations, events and on-line contacts.
- Ofwat is consulting on ways of using consumers' views much more in the decisions it makes about company revenue.
- The government, regulators and companies are looking at the potential for more competition. We don't know yet whether it will prove to be in consumers' best interests but one motive for finding out is to empower the customer.
- At Water UK we're promoting an on-line consumer guide to looking after water in the home. Again serving the public and reconnecting people with their services.

Conclusion

The question now is: Can we and will we pull together and build on these initiatives to achieve that common goal?

If we adopt a new approach and new language in which people have the right to think in terms of their water and their environment I believe we can.

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Think about water efficiency. If we agree a common goal to re-connect people and water, we would need to try harder to show that being water-wise is an integral part of sustainable economic policy not only about protecting habitats or strictly environmental goals in which we have a large investment.

Are we willing to do this?

The Water Saving Group, led by Phil Woolas, is moving in this direction. It has set a collective goal for reducing overall demand and the group involves all the main stakeholders including Communities and Local Government and Business Enterprise and Regulatory Reform.

To support that task an essential element will be to re-make close connections between the water service and other core services.

Water services often seem disconnected from other essential activities, but water is so fundamental that a host of other economic activities have to be more involved in managing it. This means land use and development, agriculture, transport, energy, and recreation. At the moment these sectors are at best semi-detached. They know that water matters but they don't see it as their business to get involved beyond the basics.

And we must also develop a new closer working relationship with local authorities. This is an urgent lesson from last year's floods.

I'll close by asking that as you take part in Source 2008 tonight, you consider the potential for working together towards that common goal alongside the activities you and your organisations are directly responsible for.

We've made a start but we must now be bold and make a firm commitment to move forward together and to turn hope into reality.

Ends

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