

Utility Week Consumer Debt Conference 2009

Water industry overview – can we
hold our own in the downturn?

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11 November 2009

1. Latest debt position
2. How the downturn is affecting companies – and what they are doing about it
3. Has the industry got the right tools?
4. Conclusions

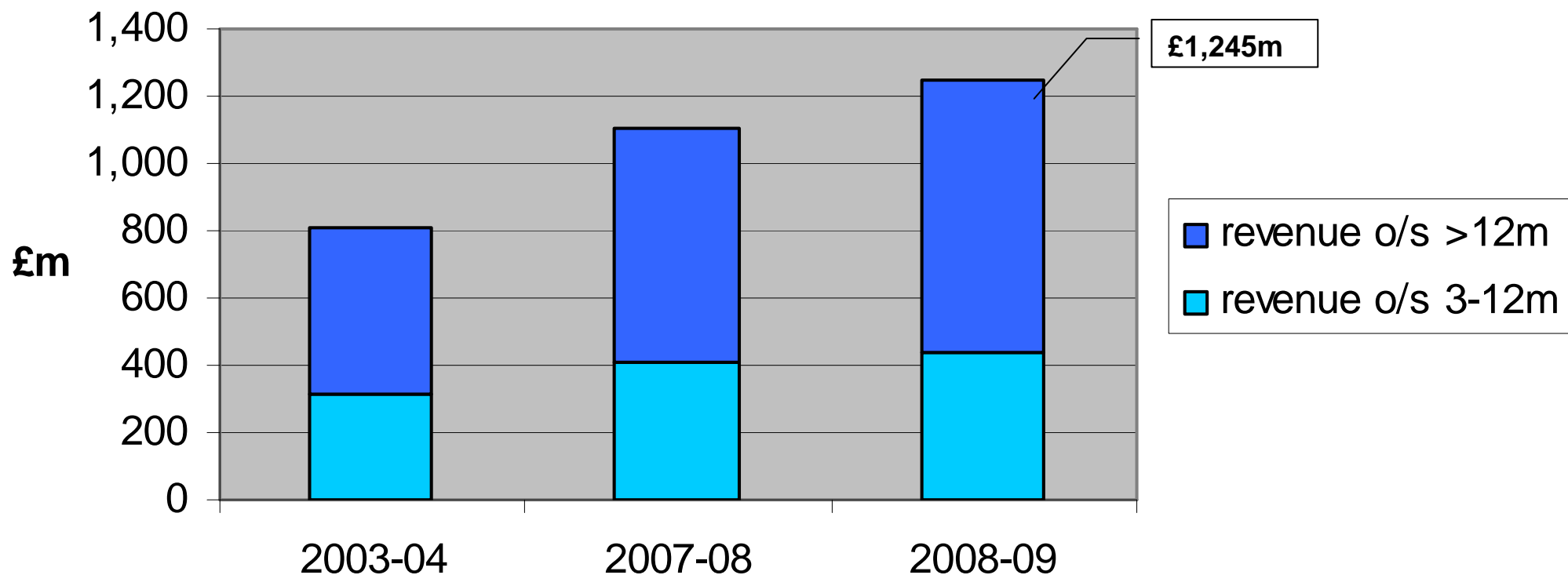
Headlines numbers for 2008-09 (Source: June Return)

- £1,245m household revenue outstanding (>3 months)
- £804m household revenue outstanding (>12 months)
- £114m household revenue written off
- £76m operating expenditure on collection

£12 addition to average household bill (3.6% of av. bill)

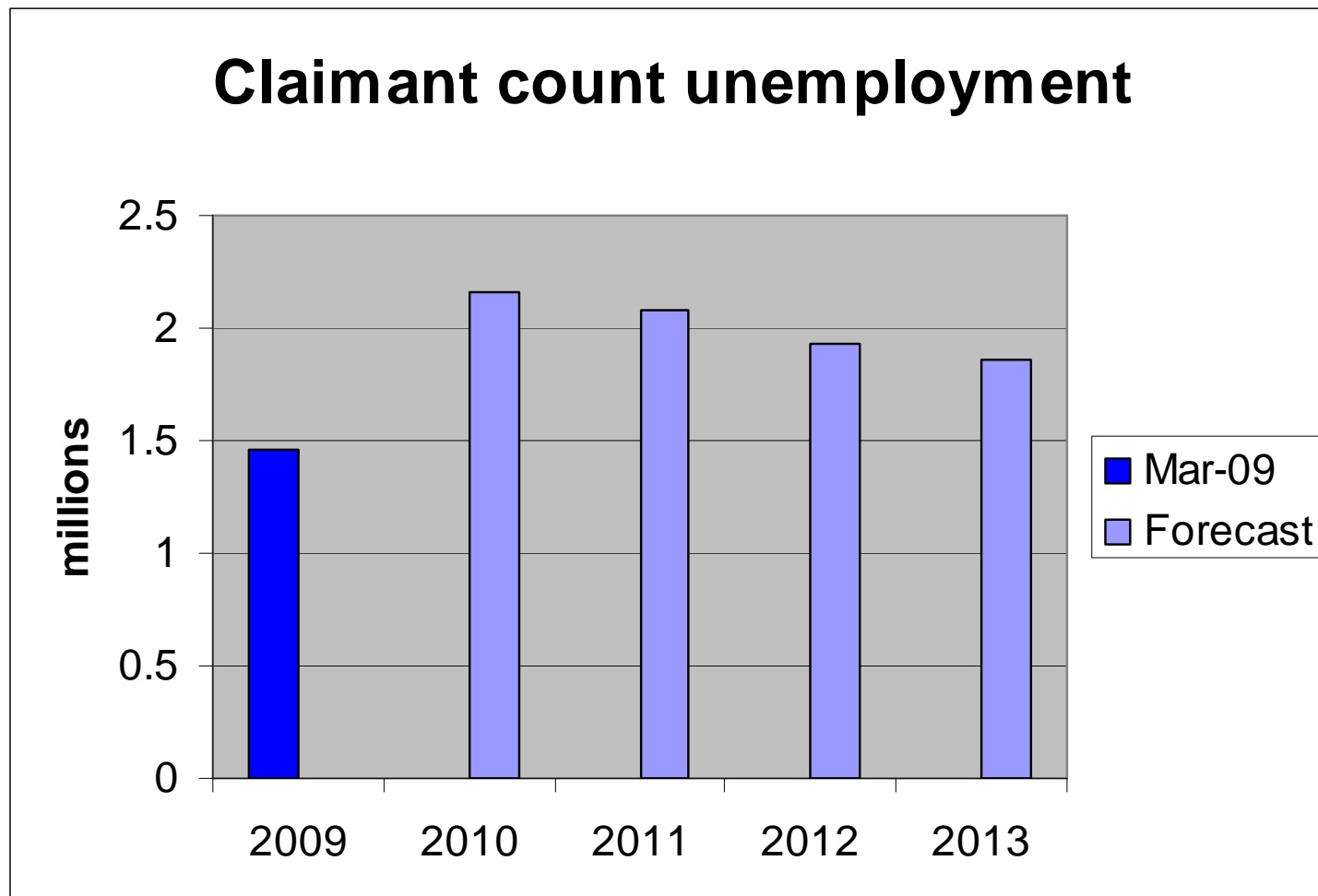
Latest debt position – compared to last year

Revenue outstanding 2003/04 - 2008/09



Latest debt position

And this is **before** the full impact of recession is felt ...



*Source: ONS
and HMT*

Gas and electricity

- overall amount of debt owed by domestic energy customers has broadly remained static this year
- 1.3 m electricity and 0.8 m gas customers repaying a debt

Water

- revenue outstanding increased by 13% year on year
- more than 5 m customers have revenue outstanding

How the downturn is affecting companies

- Less money being chased by more creditors
- Customers' payment patterns have worsened
 - customers not maintaining direct debit arrangements
 - from paying in full to paying in instalments and missing payments
- Previously good payers are now struggling
 - debtor profile changed – now more homeowners
- Credit stress, personal insolvencies and previous occupier debt increasing

What companies are doing - affordability

- Flexible payment methods
- Charitable trusts
- Support for CAB
- Saving from Poverty
- Social tariffs
 - Wessex "Assist"
 - South West "Watercare"
 - Anglian "Aquacare Plus"
 - Welsh Water Water Direct, "Water Collect" and "Assist"
 - United Utilities

What companies are doing - affordability

www.water.org.uk/home/resources-and-links/paying-for-water



The screenshot shows the Water UK website interface. At the top, there's a navigation bar with the Water UK logo, a search bar, and links for 'Text Version', 'Accessibility', and 'Printable Version'. Below the search bar, there's a welcome message for 'Rob Wesley' and buttons for 'MY ACCOUNT' and 'LOGOUT'. The main content area is titled 'Help with paying for water' and includes a breadcrumb trail: 'home page : resources & links : help with paying for water'. The page is divided into two columns. The left column features a 'Find a water company' section with a map of the UK and a list of water companies: Anglian Water, Bournemouth & West Hampshire, Bristol Water, Cambridge Water, Dee Valley Water, and Dŵr Cymru / Welsh Water. The right column features an 'Advice for water customers' section with sub-sections: 'Help from water companies', 'Independent advice', and 'Water terms'. Each sub-section includes a brief description and a 'View Image' button. The bottom of the page has a 'Water industry policy papers' section.

What companies are doing - debt

- Varying approaches to meet challenging environment
 - Early contact with customers
 - Varying contact methods and times
 - Using internal and external debt collection agencies
 - Increasing use of Water Direct
- Learning from each other
 - Water UK Debt Good Practice Members Network
 - UKWIR research into link between debt and deprivation

Has the industry got the right tools?

- Companies working ever harder, but debt continues to rise year after year
- Recession is accelerating existing trends
- Current, limited processes and tools are getting more difficult or more costly to use
- New challenges – DROs, DMPs, Statute of Limitations

Has the industry got the right tools?

- Desperately need new powers and new tools to recover outstanding revenue
- Otherwise the burden on bill paying customers - £12 a year and growing - will continue to rise

Has the industry got the right tools?

Three key issues:

- Water Direct
- Liability for charges and provision of information
- Incentives to encourage payment

Has the industry got the right tools?

The opportunity – the Walker Review

Interim Report:

“the estimated additional £11 on paying customers’ bills to cover the debt issues essentially punishes the reliable bill payer, which is unfair and must be tackled”

“something is fundamentally wrong here”

(Anna Walker)

- Water Direct valued by consumers: > 80% say
 - Useful way of managing finances, helps to manage better
 - Should be available to those on benefit but not in arrears
- Companies proactively seek to use Water Direct

- But changes needed from DWP
- Shouldn't just be a scheme of last resort
 - Widen range of applicable benefits
 - Allow customers on who are not already in debt
 - Help target eligible customers through data sharing
 - Actively promote the scheme

Liability for charges

- Currently the “occupier” is liable – but who is this?
- Need legislation to clarify situation
- Particular focus on private rented accommodation:
 - Renters account for 44% debt (34% total debtors)
 - ‘Leavers’ account for 23% debt
- 3 proposals in Interim Report
 - clarify and widen who is liable for paying the bill
 - property owner to be liable for HMOs
 - ensuring water companies know who is liable

- Some practical questions ...
 - what information needs to be provided, when, and how?
 - precise definition of properties where the owner is liable?
 - what incentives there are to **ensure**
 - information is provided?
 - bills are paid?

Incentives to encourage payment

- Currently limited incentives to encourage payment
- Non-payment adds £12 to everyone else's bill
- Walker Interim Report: “trickle-valves” ?

- We agree that all options should be investigated – there needs to be a real incentive to pay
- UKWIR research project starting in April 2010

- Water debt continues to increase
“something is fundamentally wrong here”
- Industry will help those willing, but unable, to pay
- Industry needs help to tackle those unwilling, but able to pay
- Walker Review shows the direction
 - we need Government to deliver

