

Part 2 – Clause 35 Provision of infrastructure

Issue

Clause 35 of the Floods and Water Management Bill proposes a new approach to delivering large infrastructure projects in the water sector. Individual large projects would be put out to tender to “specialist third party infrastructure providers”, who would finance and carry out the projects.

It is claimed that this could reduce costs to customers because of a lower cost of finance or greater protection from cost overruns, although the impact assessment provides little evidence to support this claim.

The intended scope of this approach has not been made clear, with very few details on what projects might be covered. Rather than defining the scope in the Bill, it proposes to give Ministers the power to do this through Regulations.

Water UK’s view

The current regulatory regime has delivered great benefits to customers and to the environment, with £85 billion having been invested over the last twenty years to improve the quality of drinking water, to raise environmental standards and to improve customer service.

Companies routinely explore efficient and effective ways of delivering capital projects to meet their obligations; for any substantial capital programme this involves a competitive tendering process. Companies have also been able to finance investment efficiently as a result of the stable and predictable regulatory regime, reducing costs for customers.

The proposals in the Bill are at an early stage of development, and will need further investigation to assess whether there would be any benefits from the proposed approach. There may be very limited circumstances where this would be the case, so our view is that use of these proposals should satisfy a public interest test.

The intended scope of the proposals should also be clearly specified. We understand that they may be targeted at very limited, possibly unique, situations, and our view is that this should be made clear in the Bill itself.

For further information please contact:

Rob Wesley rwesley@water.org.uk
Water UK Policy Adviser

Dawn Waterman dwaterman@water.org.uk
Water UK Public Affairs Adviser
020 7344 1865

Water UK represents all water and wastewater service suppliers at national and European level. The water industry has invested £85 billion since privatisation in 1989-90.