

**National Water Symposium
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Source 2004

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Introduction

Secretary of State, thank you for your encouraging and challenging speech and the warm support you and your Ministers have given to Water UK. It's very good to have the Minister, Elliott Morley, with us this evening too. I also want to acknowledge our close relationship with Defra as a whole, as our Sponsoring Department. We also are delighted to have a secondment from Defra working with us at Water UK.

Defra has proved to be a real 'breakthrough'. It has brought together policy on water, the environment and agriculture for the first time. Defra's approach to catchment-sensitive farming, as a solution to the problem of diffuse water pollution, illustrates the 'joined-up' approach, which underpins all our work.

Source

Water has no boundaries. It is the essential source of human existence, indeed human survival. Let's remind ourselves of some facts I mentioned at Source 2003.

- Only 7 thousandths of 1 % of the water on earth, is available for human consumption.
- 1.2 billion people – one out of every five in the world – have no access to safe drinking water.
- 2.4 billion people – 40 % of the world's population – have no access to adequate sanitation.
- More than 5 million people die each year from water-related diseases – mostly children. 9 people every minute. While we are here this evening, more than a thousand people will die from water-related diseases.

These are frightening statistics – and we need a huge coordinated effort to tackle them. The Secretary of State has told us of Defra's Partners for Water and Sanitation (PAWS) initiative – an outstanding example of the kind of partnership between government, society and the private sector, that can make a real impact.

WaterAid plays a leading role in the provision of safe domestic water, sanitation and hygiene. As a global background for Source 2004, I'd like you to see a short clip from a WaterAid video.

Those pictures remind us of how fortunate we are in the United Kingdom – and that our responsibilities do not end at the English Channel. We play an important role not only within Europe – but also in the global arena.

This evening, I want to highlight four aspects of the UK water industry. First, our current performance. Second, the dilemma - identity crisis, if you like - we are experiencing in the sector and what we are doing to resolve it. I have invited the writer, Hugh Aldersey-Williams, to comment on some of the possible future scenarios we have been examining. Third, some of the main challenges we will face in the future. We will look at three vital issues separately, later in the programme: water resources, water and health, and future regulation.

In addition, I want to comment briefly on the threat of climate change and on the affordability of water services. I have asked Maurice Terry, Chairman of WaterVoice, to contribute my speech so that we can benefit from his wide understanding of this important issue.

Industry performance

First then, our current performance. How are we doing? But let me first explain what I mean by "we". At Source 2003, we emphasised that active partnerships at every level, nationally and internationally, are at the heart of all our activity. Together with Defra, we work with other sectors, agriculture and manufacturing, for example, on issues such as tackling pollution.

And European legislation guides our approach to many UK issues. These, in turn, are influenced by the World Trade Organization and World Health Organization, which has a strong influence on European and UK drinking water regulations.

You are the primary Stakeholders in Water UK, and you play a vital role in driving our strategy and programmes. Water UK's 'Information and Learning' programme helps the industry and its stakeholders to think creatively and develop best practice on current and future issues. So this partnership approach will continue to be at the core of our activities at home and abroad.

Sustainability

Water is by definition a long-term business, but each year at "Source", we will present a current snapshot of industry performance. Not in isolation, but in the context of taking forward the sustainability agenda.

And we have moved forward significantly, in this area. We are not just another utility, efficiently delivering a service to customers. The UK water industry contributes its share on sustainable development. We are the foremost investor in the environment, in Europe. And we work with others on economic and social matters, such as affordability and cost recovery.

We can see our focus on sustainability bearing fruit, in many areas of the country. In the 15 years up to 2005, the industry and more recently the City, will have invested around £50 billion in the country's water and sewerage infrastructure. This investment has produced cleaner rivers and high quality drinking water.

If the environment is right, urban regeneration, economic and social will follow. This is good news and it's a repeating story. So, we are doing well. Not well enough to be complacent, but definitely enough to be encouraged and at the same time challenged to keep it up and even increase the pace.

The dilemma of identity: who are we?

But not everything is rosy yet! We work closely with many partners – so much so, that our water industry identity is sometimes blurred – or merged with others – both in the public's eyes and within the Sector. We often have to manage conflicting expectations of what the industry is – and what role it should play in the future.

The problem is that we are unique. There is no model for us to follow. So we must forge our own – and make sure that it is the best possible model for the 21st century. Privatisation is widely seen as a success. But other forms of organisation can also succeed – a mutual company in Wales and a public sector entity in Scotland and Northern Ireland, for example, but whatever the form of funding, our objectives are determined by the government and the regulators. So in effect, we are a hybrid of the public and private sectors.

At the moment, the water sector has more contradictions and questions – than solutions and answers. Are we a business, a service, a charity – or all three? We provide an essential public service, but we have no contract with our customers and some of them either cannot or will not pay for it. We have achieved an enormous amount in a short time, but still lack real "impact" in the public's eyes. Sometimes we are only seen as an "environmental tax collector". We are based in and serve the United Kingdom, but we are also part of the European Union. Coupling EU legislation with the UK's expertise has brought significant environmental and social improvements. And finally, of course, in the most sophisticated financial market in the world, we are something of an enigma.

We could not have achieved any of the success in recent years without our investors. We have had to finance a huge investment programme by means of private capital. But the profile of the industry is now changing, the companies are more highly geared and they have less scope for efficiency savings.

Preserving credit quality is now a major objective for our entire industry. Philip Fletcher's stewardship of the regulation process has helped to ensure that water companies still represent an industry worth investing in. The trick will be to ensure we remain attractive to investors – both debt and equity – and fit to meet future challenges. So, all in all, I'm not quite sure whether the water industry is appreciated but not understood, or understood but not appreciated.

If we are to face the future with confidence, we must first reach a clear understanding of who we are what role, or roles, we should be playing ten years from now, both in the UK and internationally. In Water UK, we have been studying and debating these issues in depth. Led by our Chairman, Roy Pointer, we have been scenario planning, culminating in an away day to brainstorm how we should be preparing now for 2014.

We invited Hugh Aldersey-Williams to bring together our conclusions from that event and I'd like him to tell you a little more about this process and how we will be working with our stakeholders, you, to take the concepts forward.

Thanks Hugh – we are looking forward to taking this work forward – and we will report our Conclusions in "Source 2005".

Future challenges

As you see in the programme, we are going to examine three particular issues this evening: resources, health and regulation. But before we hear from our speakers on these subjects, I want to look briefly at two other challenges – climate change and affordability.

Climate Change

Both the Secretary of State and Minister have said so clearly: there is no longer a serious argument about the reality of climate change or the devastating effect it will have unless serious steps are taken around the world to minimise its impact and prepare for it. For the water industry, climate change will be a major over-arching challenge for the foreseeable future.

We can expect higher intensity rainfall, with probable serious flooding, but also longer periods of drought. Changes in the supply and demand balance, and changes in consumer behaviour, with increased tourism demands in some areas of the country, as weather patterns change.

All this means that in our future planning, in co-operation with our partners, we must find ways to reduce emissions, conserve energy, and develop a range of options for renewable energy. Our funding strategy will have to include huge improvements in infrastructure. Yes, managing the demand for water will be absolutely essential, but we may need new reservoirs and dams to provide additional storage, and deal with increased flows due to changing rainfall patterns. We must have a sewage system designed for far greater capacity. And we will need to modify treatment, to meet changing ecology in rivers and the increase of algal blooms.

If I may refer to the Minister's recent comment specifically, 'there is no cost-free option'. If we do not begin to act together now, we will face as an industry and as a nation potential catastrophe in the future. So, climate change is the over-arching challenge for all of us, but the immediate bottom line is the question of affordability.

Affordability

We are waiting eagerly for the outcome of the government's affordability group. This is a core issue for us. Last year, the water companies calculated that 3% of household water charges – £164 million – was not recoverable. We have no contract with our customers, and limited access to information about them, so it is hard for us to separate the 'can't pay' from the 'won't pay'.

For the ‘can’t pay’ we want to give all the help we can. Companies already offer practical assistance such as helplines, flexible payment plans, and charitable trusts. But we need better information to identify those customers who need help. The ‘won’t pay’ are more difficult. We will have to develop the kind of relationships and procedures that the retail sector has to ensure the industry is not sidelined, as customers increasingly select which of their bills to pay.

I thought it would be helpful at this point, to hear from Maurice Terry, the Chairman of WaterVoice. Maurice has both a broad knowledge and wise insight into the issue of affordability.

This evening we are going to hear from some distinguished contributors on the three challenges that we are dealing with individually tonight. Let me introduce the subjects and then later Alastair will lead us through them. Each one brings together the three arms of sustainability – environment, economy and community.

Challenge 1 is water resources. How do we achieve sustainable resources and manage water to serve society and benefit the environment, at a reasonable cost. Challenge 2 is water and health. How can we increase public access to drinking water, determine recommended daily intakes and promote its health benefits? Challenge 3 is future regulation. How will we build a regulatory process that fits the roles and objectives of the water industry and its partners over the next decade and beyond?

Conclusion

The water industry has come a long way. We are beginning to understand who and what we are, where we are going and the challenges we must face on the way. Tonight we are taking a further step on a long road and I thank you all for traveling with us.

Ends.

For more information please contact:

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