

January 2010



Water services in England and Wales A decade of delivery

Looking back on the first decade of the millennium, the water industry can reflect on steady progress and hard lessons. Both are reflected in the data included in this note.

The lessons came in managing a deep cut in revenue, public criticism, serious drought and devastating floods. The progress is evident in standards held consistently high and improvements in important measures. Both have also contributed to a strong platform for the new decade.

The industry provides essential services to the economy and society, so this should be welcomed by customers as well as stakeholders and regulators. It matters because companies must deliver major capital investment, hold down costs and meet demanding standards in an economy emerging from recession.

Tough choices will be needed, but the industry relishes the challenge. It can base its prospects on a record of quietly and consistently improving service to customers now and in the future.

Customer service

- Properties at risk of low pressure
- Properties subject to unplanned interruptions of 12 hours or more
- Population subject to hosepipe bans
- Properties at risk of sewer flooding (once in 10 years)

Environmental and drinking water quality

- Leakage for industry and customer supply pipes
- Drinking water quality (England)
- Bathing water quality compliance with mandatory standards

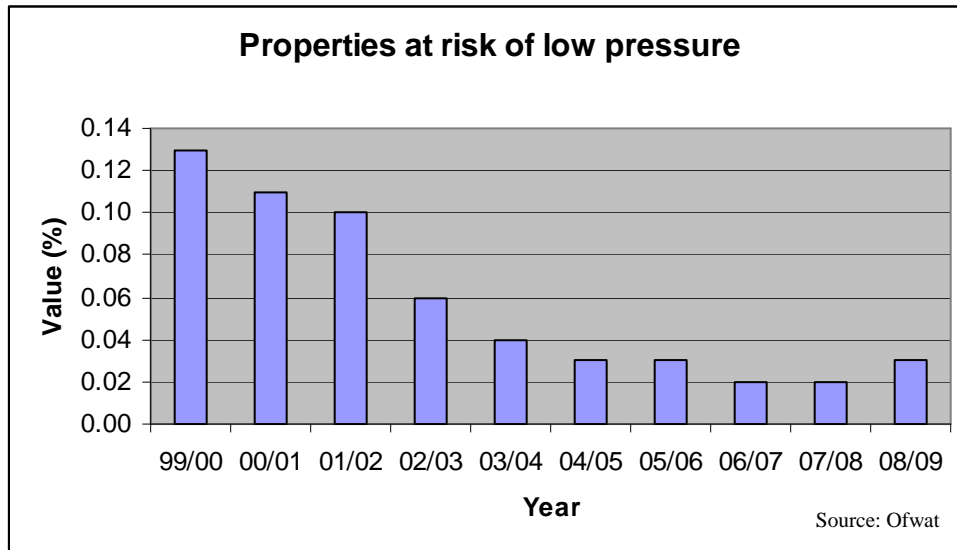
Investment

- Gross capital investment

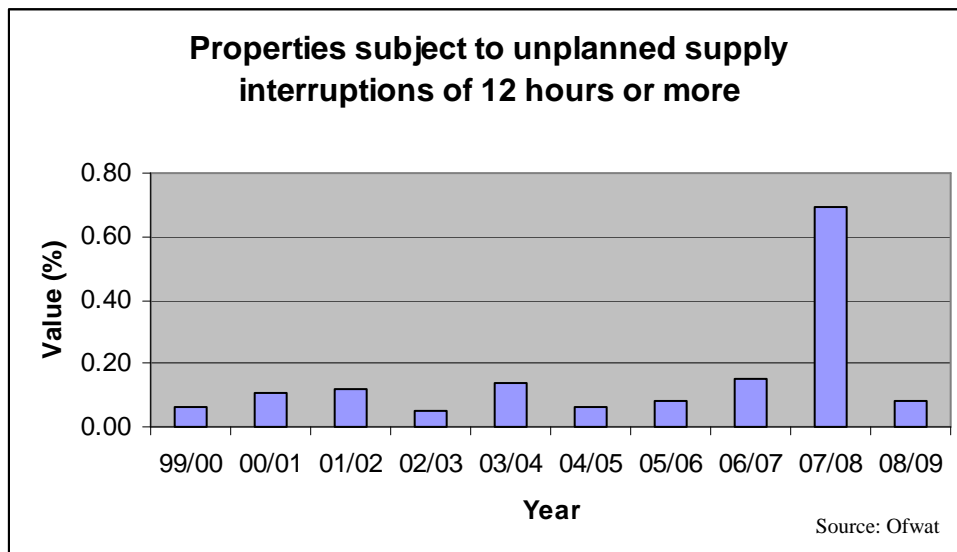
Prices

- Average bills

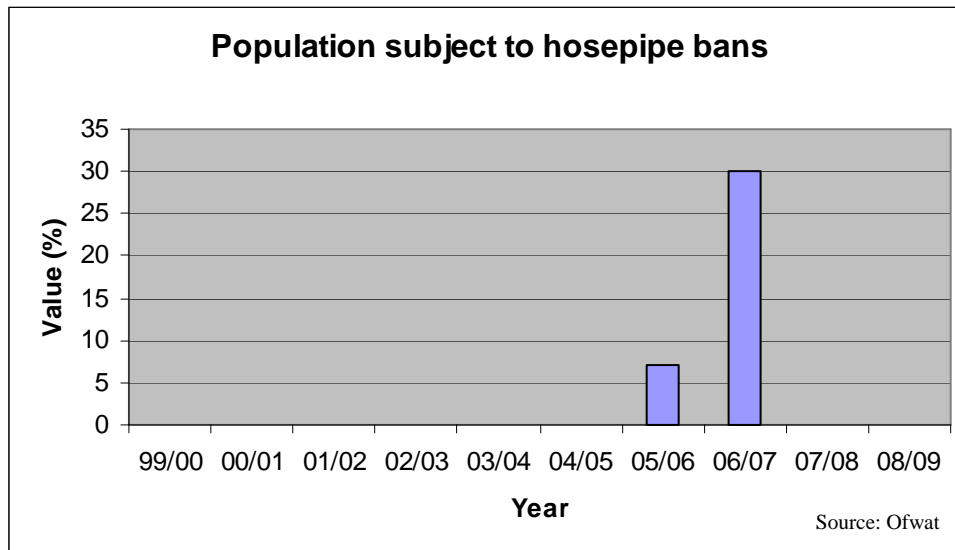
Customer Service



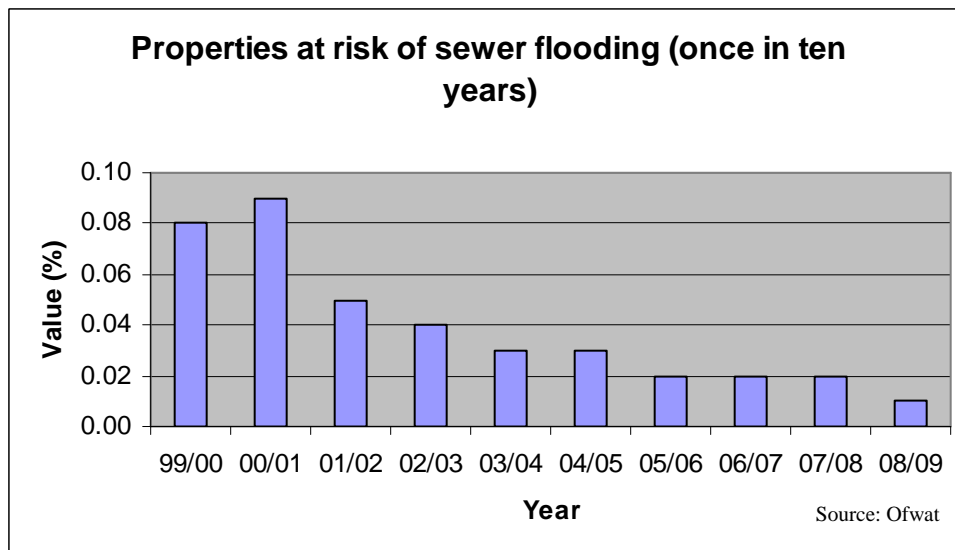
Steady progress from a low base in an aspect of service consumers have a right to take for granted.



Security of supply is the basis of service. The normal, very low profile was broken by the impact of devastating floods in Summer 2007.

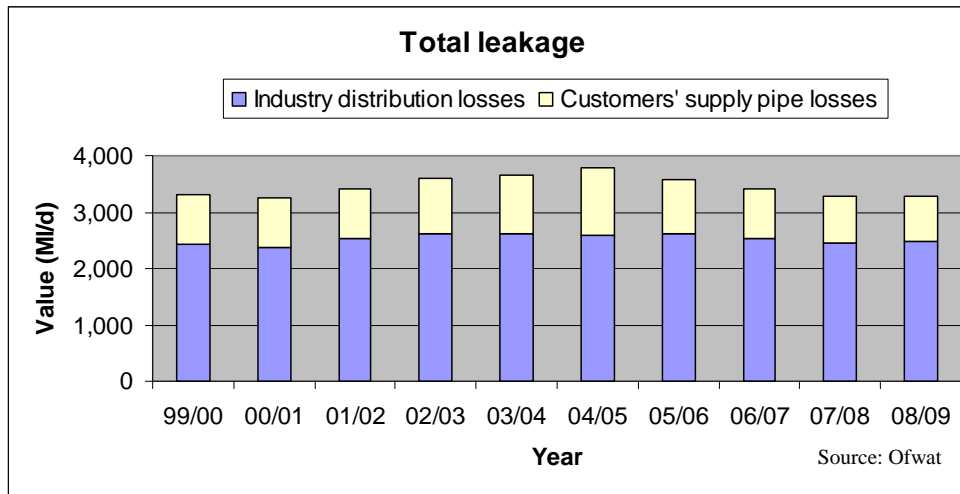


The series was interrupted when in 2005 and 2006 the most serious drought for a century made restrictions on non-essential use inevitable. There was virtually no economic disruption due to industry water resource planning.

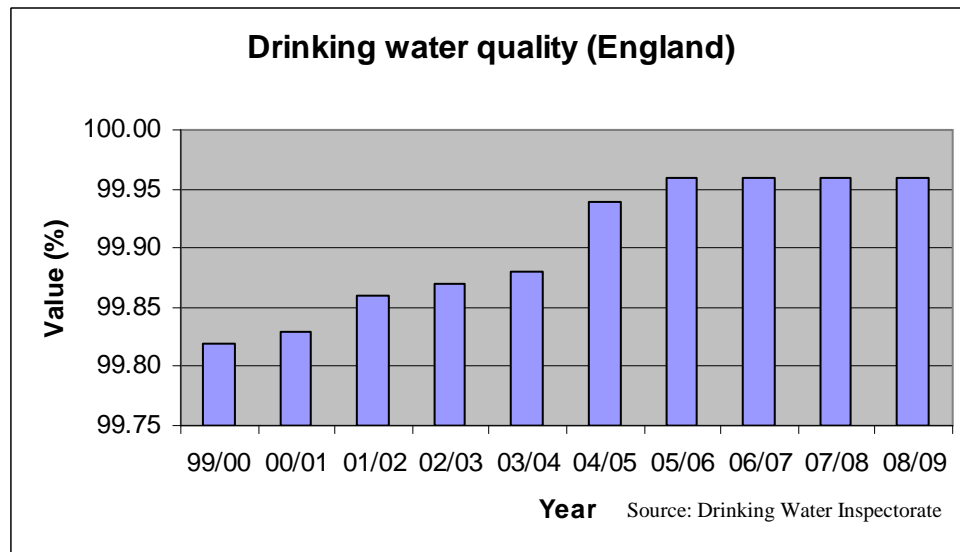


Steady progress in removing from households the threat of an unacceptable experience.

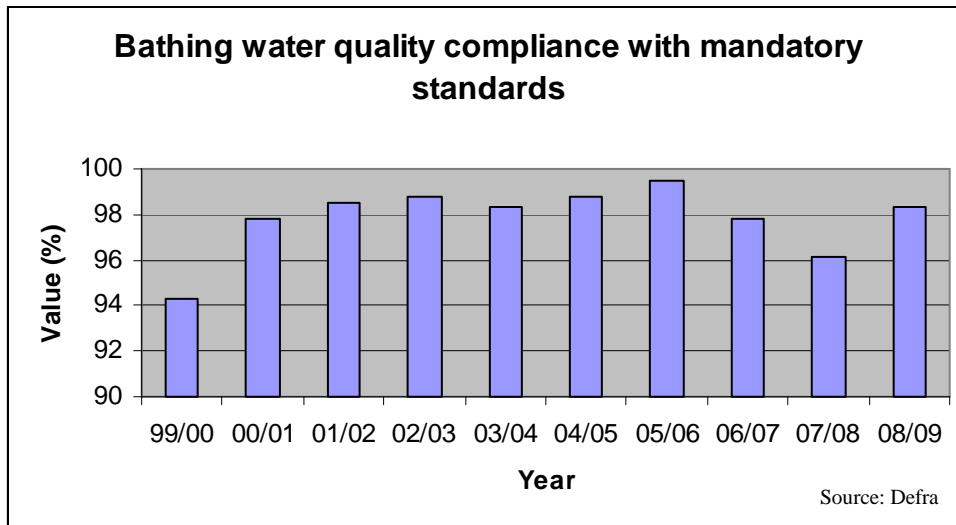
Environmental and drinking water quality



The basis of criticism, misreporting and loss of trust in the middle years. The industry's reputation was restored by governance changes and better performance. Progress now depends on replacing old mains faster than current rates (often over 100 years). Most companies met Ofwat leakage targets throughout the decade.

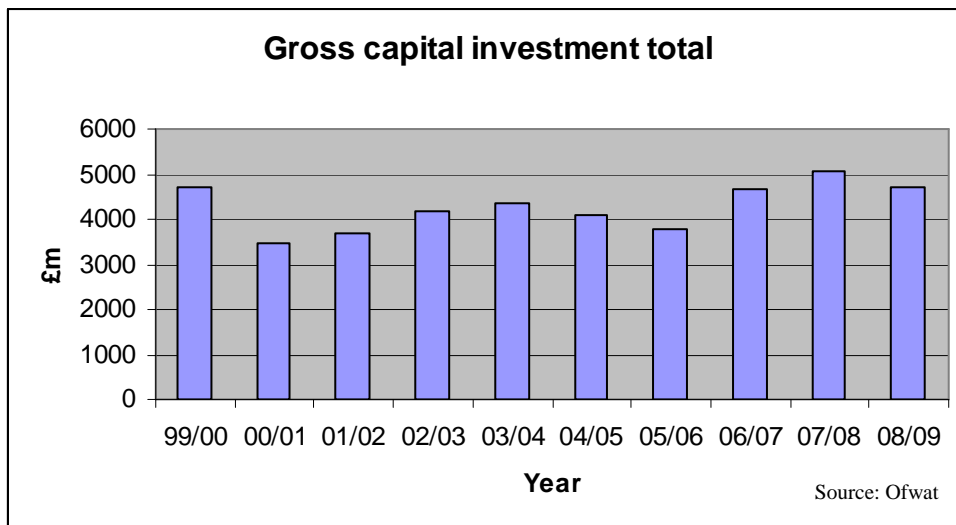


Steady progress followed by consistency at virtually perfect quality. This measure records compliance with European/World Health standards in millions of test samples.



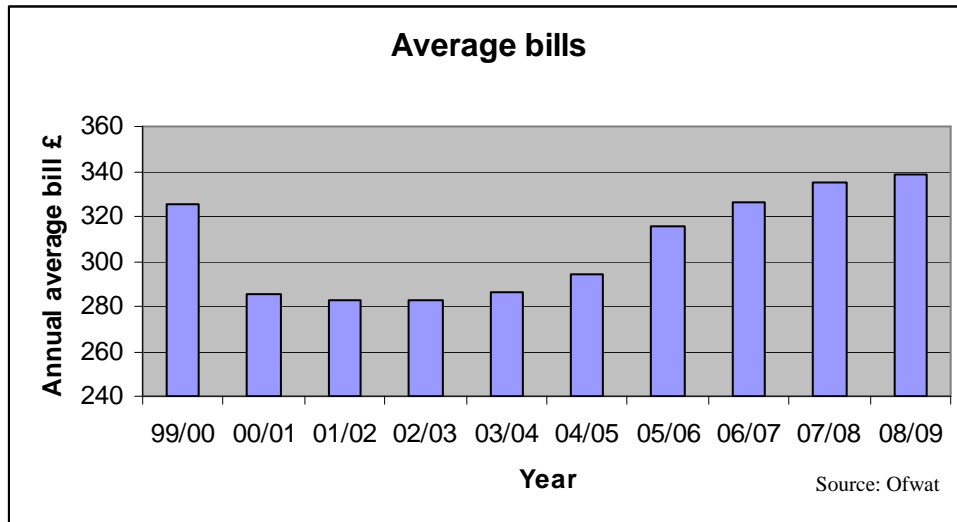
Water industry investment in sewage treatment led to major improvements in earlier decades. Now the main barrier to progress is diffuse pollution, particularly from agriculture.

Investment



The industry invested over £42 billion in: maintenance of assets; a secure balance between supply and demand; higher environmental and drinking water quality; and improved customer service. Since the main privatization in 1989-90 total capex is ££85 billion. This amount is equal to more than 50% of annual industry turnover.

Prices



The profile of average annual bills shows a real (excluding inflation) increase of £14. Holding down bills while investing over £4 billion a year has been made possible by major efficiency savings. Ofwat calculates that the average bill in 2009-10 would be £100 higher than it is but for company efficiency gains.

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